

2021

Annual Report



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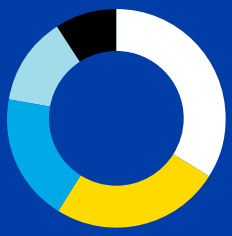
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FINANCIAL HIGHLIGHTS (UNAUDITED)

Amounts in billions, except per share amounts

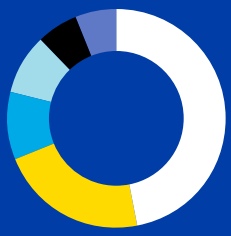
	2021	2020	2019	2018	2017
Net Sales	**$76.1**	$71.0	$67.7	$66.8	$65.1
Operating Income	**$18.0**	$15.7	$5.5	$13.4	$13.8
Net Earnings Attributable to P&G	**$14.3**	$13.0	$3.9	$9.8	$15.3
Net Earnings Margin from Continuing Operations	**18.9%**	18.5%	5.9%	14.8%	15.7%
Diluted Net Earnings per Common Share from Continuing Operations[1]	**$5.50**	$4.96	$1.43	$3.67	$3.69
Diluted Net Earnings per Common Share[1]	**$5.50**	$4.96	$1.43	$3.67	$5.59
Core Earnings per Share[2]	**$5.66**	$5.12	$4.52	$4.22	$3.92
Operating Cash Flow	**$18.4**	$17.4	$15.2	$14.9	$12.8
Dividends per Common Share	**$3.24**	$3.03	$2.90	$2.79	$2.70

2021 NET SALES BY BUSINESS SEGMENT[3]



- Fabric & Home Care 34%
- Baby, Feminine & Family Care 25%
- Beauty 19%
- Health Care 13%
- Grooming 9%

2021 NET SALES BY GEOGRAPHIC REGION



- North America[4] 47%
- Europe 22%
- Greater China 10%
- Asia Pacific 9%
- Latin America 6%
- India, Middle East & Africa (IMEA) 6%

(1) Diluted net earnings per common share are calculated based on net earnings attributable to Procter & Gamble.
(2) Core EPS is a measure of the Company's diluted net earnings per common share from continuing operations adjusted for certain items not viewed as part of our sustainable results. Please see page 73 of the Annual Report for detail on the reconciling items.
(3) These results exclude net sales in Corporate.
(4) North America includes the United States, Canada and Puerto Rico.

VARIOUS STATEMENTS IN THIS ANNUAL REPORT, including estimates, projections, objectives and expected results, 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 and are generally identified by the words "believe," "expect," "anticipate," "intend," "opportunity," "plan," "project," "will," "should," "could," "would," "likely" and similar expressions. Forward-looking statements are based on current assumptions that are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements, including the risks and uncertainties discussed in Item 1A – Risk Factors of the Form 10-K included in this Annual Report. Such forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise publicly any forward-looking statements, except as required by law.

Dear Shareowners,

Building on the momentum we created leading up to the pandemic, P&G people delivered strong results across the top line, bottom line and cash again in fiscal year 2021. These results and our momentum reflect the underlying strength of our integrated strategy and our organization.

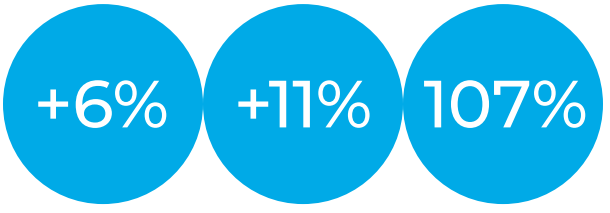
For the fiscal year, organic sales grew more than 6%, core earnings per share were up 11%, currency neutral core earnings per share were also up 11%, and adjusted free cash flow productivity was 107%. These are strong results in challenging circumstances on top of equally strong results leading up to the pandemic.

For perspective, in the six quarters preceding COVID-19, through the October to December 2019 quarter, we grew organic sales an average of 5%, ahead of market growth. This momentum has continued in 2020 and 2021, with organic sales growing an average of 6% over the past six quarters, while overcoming significant challenges as a result of the pandemic.

Our core earnings per share results tell a similar story, with calendar year 2019 quarterly core earnings per share growth 15% on average. That strength continued over the past six quarters, with core earnings per share growth of 9% on average.



In fiscal year 2021, growth was broad-based, with each of our 10 product categories growing or holding organic sales. Home Care grew in the high teens. Oral Care grew double digits. Skin & Personal Care grew high single digits. Grooming, Fabric Care, Feminine Care, Hair Care and Personal Health Care each grew mid-single digits. Family Care grew low single digits, and Baby Care sales were in line with the prior fiscal year.



Organic Sales Growth

Core EPS Growth

Adjusted Free Cash Flow Productivity

We again delivered strong results in our two largest and most profitable markets. Organic sales were up 8% in the U.S. and 12% in Greater China for the fiscal year.

Focus markets grew 7% for the year. Enterprise markets grew 5% despite significant market growth impacts from the pandemic.

E-commerce sales were up 35% for the year and are now over $10 billion in sales, representing 14% of total Company sales.

P&G's global aggregate market share increased 50 basis points, and 33 of our top 50 country/category combinations held or grew share for the year.

Our quarterly dividend increase of 10% in April 2021 was the largest increase in over a decade.

We returned $19 billion of value to shareowners through $8 billion in dividends and $11 billion in share repurchase. In April, we announced a 10% increase in our dividend—the 65th consecutive annual dividend increase, and the 131st consecutive year in which P&G has paid a dividend.

To sum up, P&G people have operated with excellent discipline in a challenging and volatile environment, and we exceeded each of our going-in targets for the year, across organic sales growth, core EPS growth, free cash flow productivity and cash returned to shareowners.

While we're pleased with these results and the overall strength of our business, the external environment continues to be volatile and difficult to predict, and our eyes are wide open to the many challenges we face. We compete in product categories against highly capable multinational and local competitors. Raw material and transport freight costs have risen sharply. Increased social unrest and economic distress in many parts of the world are putting pressure on local GDP growth. Geopolitical divisions are creating business uncertainty. And the pandemic continues to create risks of supply chain disruptions.

Indeed, the biggest uncertainty we face remains the pandemic, and many countries are still experiencing high numbers of COVID-19 cases. Virus spikes in some markets will likely delay their economic recovery, and current models predict it may be 2023 or 2024 before there are enough vaccines broadly distributed to cover the world's population.

While the near term will be challenging, we're stepping forward, not back—focused on our integrated strategy and our immediate priorities to grow through the difficulties we're facing.

Stepping Up and Stepping Forward In This Time of Need

P&G people continue to step up and step forward in this ongoing time of need to keep each other safe, to serve consumers and to support communities around the world. Given the uncertainty globally, we still have every reason to keep focused on these three priorities, which have been guiding our actions day in and day out during this crisis.

Our first priority is always the safety of P&G people. From mask-wearing and social distancing to proper hand-washing and regular sanitization, we know basic safety protocols work. Doing these things consistently matters, and we continue to rely on our proven protocols for safety. Any decision to reduce or alter these practices



COVID-19 PRIORITIES

We continue to step forward as a force for good and force for growth in this ongoing time of need. These priorities ensure P&G is there for the employees, consumers and communities who have always been there for us—and they matter as much now as they did a year ago.

has been and will be based on local transmission rates, as well as local government guidance and regulations.

Our second priority is maximizing the availability of the products we produce so we can continue to do our part to help people and their families with their increased cleaning, health and hygiene needs. I am proud of the way P&G people and our business partners have come together to maintain the production, distribution and availability of our brands despite disruptions from mobility issues, supply interruption and local mandates, among other challenges.

Our third priority is supporting our communities, and we continue to provide help to those who are still dealing with the health and economic impacts of the pandemic, including significant donations of products, cash, personal protective equipment, and COVID-19 tests to communities and families in need around the world.

Vaccines are an important step to protect people, and, with broad adoption, vaccines can help improve and eventually bring an end to the pandemic. Through contributions to COVAX, an initiative of the World Health Organization (WHO), we're helping to ensure equitable access to vaccines in more than 90 countries throughout Asia, Africa, Latin America, the Middle East, and parts of Europe.

As we manage through this crisis, we'll continue to focus on these three priorities that have been guiding our near-term actions. Importantly, these priorities are completely congruent with our long-term strategic choices.

PROTECTING P&G PEOPLE



We continue to help P&G people work confidently, with a rigorous focus on health and well-being through safety protocols and protective gear; network and collaboration tool upgrades and training to ensure productivity and flexibility when working remotely; and enhanced benefits and wellness resources to help navigate the challenges of managing work and family.

In India, a voluntary employee vaccination program in partnership with local hospitals meant we were able to help keep employees safe, while continuing to serve India's consumers with the products they need. We also partnered with government authorities to donate vaccines for 500,000 Indian citizens, making a meaningful difference for the community.

SERVING CONSUMERS



We're maximizing the availability of our products that help people and their families with their health, hygiene and cleaning needs.

P&G people at more than 100 global manufacturing sites are serving our consumers at a time of record demand for many of our products. Our Box Elder, Utah Family Care plant is just one of our Family Care plants that operates 24/7 to supply paper towels, tissues and toilet paper for consumers.

SUPPORTING COMMUNITIES



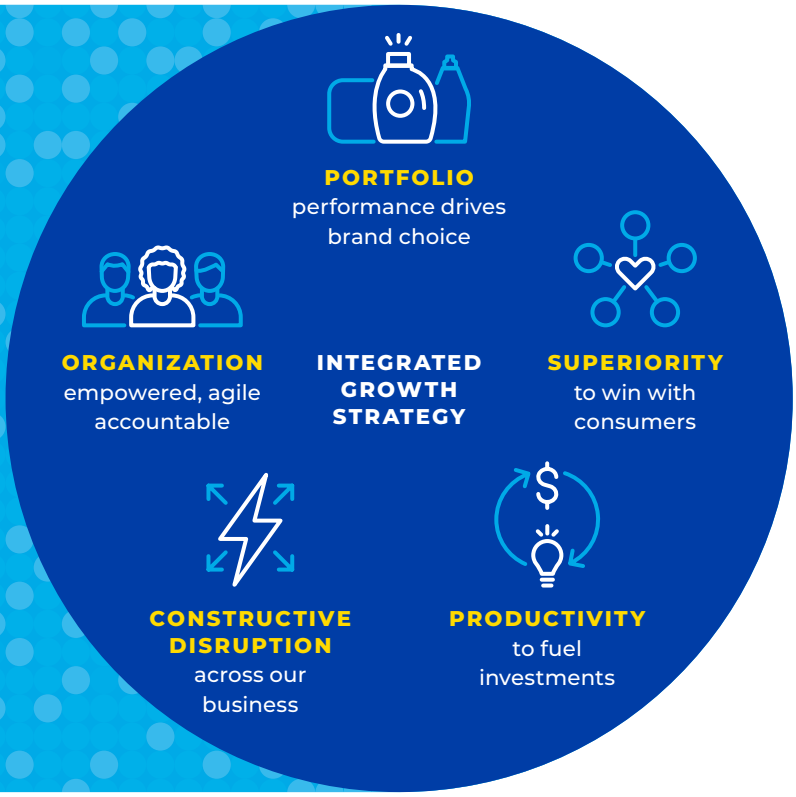
To help people and communities worldwide overcome the challenges of the COVID-19 pandemic, we expanded our existing global disaster relief operations to donate tens of millions of dollars' worth of products, PPE, cash and in-kind support, working in partnership with more than 200 relief organizations worldwide.

We also sponsored Global Citizen's VAX LIVE Concert, an event that inspired vaccine confidence worldwide and mobilized more than $300 million in the push for greater global access to COVID-19 vaccines. P&G's multi-million dollar donation to the COVAX initiative was matched by GAVI, the Vaccine Alliance, to double the impact as part of efforts to provide vaccines in more than 90 countries.

These are just a few examples—visit www.pg.com/covid19 to learn more about all we're doing in each of these areas.

INTEGRATED GROWTH STRATEGY

Our strategic choices are the foundation for balanced top- and bottom-line growth. We believe they position P&G well to continue to serve the heightened needs and new behaviors of consumers and our retail and distributor partners.



A Winning Strategy

Our integrated strategy was delivering strong results before the crisis, it is serving us well during the pandemic, and we believe it will continue to serve us well after the crisis through a portfolio of daily-use categories where performance drives brand choice; superiority across product, package, brand communication, retail execution and value; productivity in all areas of cost and cash; constructive disruption in all facets of our operations; and a more agile, accountable and empowered organization.

These are not independent strategic choices. They reinforce and build on each other, and when executed well, lead to balanced top- and bottom-line growth and value creation. There is still opportunity for improvement in every facet of this strategy, and we continue to raise the bar to deliver sustained excellence.

A Strong and Focused Portfolio

Our strategy starts with a strong, focused portfolio positioned to win with consumers, made up of daily-use products where performance plays a significant role in brand choice.

Our portfolio has 10 categories: Fabric Care, Home Care, Baby Care, Feminine Care, Family Care, Hair Care, Skin & Personal Care, Oral Care, Personal Health Care, and Grooming. These are financially attractive categories that leverage P&G's strengths and where we have leading or significant market positions, and we remain very confident in their growth and value creation potential.

In each of these 10 performance-driven categories, we continue to work to increase the superiority of our offerings.

P&G's 10-Category Portfolio

HEALTH CARE



Personal Health Care



Oral Care

FABRIC AND HOME CARE



Fabric Care



Home Care

BEAUTY



Skin & Personal Care



Hair Care

GROOMING



Grooming

BABY, FEMININE AND FAMILY CARE



Baby Care



Feminine Care



Family Care

Superiority: A Higher Standard of Excellence

Superiority matters because it drives category growth, household penetration, strong share positions, and winning sales and profit growth—and builds business for our retail partners.

Four years ago, we established a higher standard of excellence—a standard of irresistible superiority across product, package, brand communication, retail execution, and value.

When we started on this journey, we set the superiority bar high. We wanted to be irresistibly or noticeably superior across each of the five vectors, and not just in a lab or versus our own tests; it had to translate to consumer delight.

To assess superiority, we use a "body of evidence" approach to provide a holistic and transparent evaluation across each of the five vectors, using a mix of tests, data, reviews, and in-market measurements. We look at our superiority versus competition and whether we're improving. We know we've raised the bar on superiority when a consumer has an

IRi
Growth delivered



P&G was recognized by IRI for having 10 of the top 25 nonfood products on their 2020 New Product Pacesetters list, which recognizes the most successful product launches in the U.S., more than our top seven closest competitors combined.

AdvantageReport

In the 2020 Advantage Report, P&G was ranked #1 by our retail partners globally across all seven performance areas. This is also the 6th consecutive year P&G has been ranked #1 in Overall Performance, recognizing P&G as a partner in joint value creation.

Measures of Superiority

PRODUCT

Products so good, consumers recognize the difference. Superior products raise expectations for performance in the category.

PACKAGING

Packaging that attracts consumers, conveys brand equity, helps consumers select the best product for their needs, and delights consumers during use.

COMMUNICATION

Product and packaging benefits communicated with exceptional advertising that makes you think, talk, laugh, cry, smile, act and buy—and that drives category and brand growth.

RETAIL EXECUTION

In-store: with the right store coverage, product forms, sizes, price points, shelving and merchandising. Online: with the right content, assortment, ratings, reviews, search and subscription offerings.

CONSUMER & CUSTOMER VALUE

For consumers: all these elements presented in a clear and shoppable way at a compelling price. For customers: margin, penny profit, trip generation, basket size, and category growth.

Examples of what we measure:

The package is a critical element of the holistic product experience, so the two are measured together.

We learn about consumers' impressions through blind tests and seeing their experience while the product is in use.

We measure in-market performance via market penetration, repeat purchases, and consumer ratings and reviews.

Examples of what we measure:

Based on creative effectiveness (a proven campaign that drives sales growth for a brand for one year) and media effectiveness (reach, frequency and continuity making the investment as effective as possible).

Examples of what we measure:

When the brand's execution at the point of purchase makes consumers more likely to buy the brand. Whether in-store or online, brands are superior if they are available, attractive and affordable at point-of-purchase.

Examples of what we measure:

Superior **consumer** value means the product must deliver superior performance for the price paid, have a superior value impression, and drive brand preference such that consumers are proud to recommend it and it's top of mind for the job to be done.

Superior **customer** value includes driving a disproportionate share of market/category growth, improving customer margins, driving cash productivity and delivering on service expectations.

How do we know it's superior?

We're continually raising our standards of competitive advantage for each of the five superiority drivers.

When we excel across all five measures of noticeable superiority, we deliver on key business success metrics:



Category Growth



Market Share



Household Penetration



Sales



Profit

Where we achieve noticeable superiority on at least four of the five superiority measures, we deliver on the business success metrics 80% of the time. Where we achieve three or fewer superiority measures, we do not deliver on our desired business outcomes—superiority is essential.



Superiority: A Higher Standard of Excellence

PRODUCT

We're driving Oral Care market growth—from the Oral-B iO power brush that improves brushing efficacy with position-sensing technology, to premium toothpastes like Crest Gum Detoxify and Enamel Care to the latest in teeth whitening, Crest Whitening Emulsions, with its highly active peroxide droplets that can be applied in seconds and whiten teeth with virtually no sensitivity. These and other innovations have helped grow P&G's Oral Care organic sales double digits and the market overall in fiscal 2021.

In fiscal 2021, Oral Care share was up more than one point and market growth was up mid-single digits.





PACKAGING

We're moving to a plastic-free box on many Gillette and Venus products in the U.S. and Europe.

This packaging innovation could save the plastic equivalent of 85 million water bottles per year when fully launched.*

In Europe, where we launched first, this innovation contributed to mid-single digit organic sales growth in our Europe Grooming business in fiscal 2021, with share up one point.

**Based on FY20 sales*



COMMUNICATION

China Hair Care had one of the strongest growth periods in the past decade in fiscal 2021, led by Pantene's innovation in conditioners, treatments and consumer communication. In a crowded category where consumers often consult social media before buying, Pantene's premium innovation broke through the digital clutter, thanks to impactful online engagements like influencer livestreaming.

Organic sales for Pantene in Greater China grew 25% in fiscal 2021, making a strong contribution to category growth.



RETAIL EXECUTION

We launched Fairy dish care at multiple retailers in France during the year. In this very competitive market, the team focused on big in-store events, displays and share of shelf.

Superior retail execution helped Fairy achieve 20% share of shelf and 16% market share in only five months.

CONSUMER & CUSTOMER VALUE

Always ZZZ was launched nationally in the U.S. market in fiscal 2021 for the 60% of pad users who still experience leaks at night. Always ZZZ dares to provide 360° protection from overnight leaks with Always' first disposable period underwear in the U.S. The ZZZ collection also includes a new overnight pad featuring Always' widest coverage. We're creating value with a disruptive new solution for consumers and addition to the category for retailers.

In its first quarter, Always ZZZ is continuing to expand premium innovation and is contributing to category growth.



experience that lifts their expectations and makes it harder to go back to what they were using before.

Today, 75% of our portfolio is judged as superior, and we make continuous improvements in response to consumer needs and changing industry dynamics. Where we feel we've achieved 80% or 90% superiority across the five vectors, we use this as motivation to raise our standards again and, importantly, to continue to grow markets.

For example, we've been assessing the superiority of our unit-dose laundry detergents versus our competition, and that has worked to help maintain our superiority up until now. In fact, globally today we have an over 70% share of the unit-dose detergent category. But now we've raised the bar on how we assess unit-dose superiority, shifting from comparing ourselves versus competition to a higher bar—asking ourselves if our proposition is superior enough for people who use liquid detergent, the most popular laundry detergent form, to trade up to unit dose.

Superiority is an opportunity that never ends—the bar is constantly being raised, by us and our competition. We're continuously making investments to strengthen the long-term health and competitiveness of our brands, extend our margin of advantage and quality of execution, and improve options for consumers around the world.

A Productivity Mindset

Extending our levels of superiority, creating the financial flexibility to manage through increased external volatility, and an ongoing need to drive balanced top- and bottom-line growth requires productivity up and down the income statement and across the balance sheet.

We're delivering significant cost and cash efficiency with many more opportunities ahead. We're discovering lower-cost ways of working with fewer resources—today's necessity giving rise to the productivity inventions of tomorrow. New digital tools are being brought to the forefront, providing another productivity driver—in our labs, in the office environment and on the factory floor.



Productivity is now as integral to our culture as innovation; it's part of our DNA.

For example, our Product Supply organization has successfully leveraged automation solutions to fuel productivity and accelerate our journey toward an End-to-End Synchronized Supply Network. Investments like this have enabled significant savings over the past 10 years, with more ahead.

CONSTRUCTIVE DISRUPTION AT P&G





LEAN INNOVATION

While over 90% of U.S. consumers are concerned about having bugs in their home, almost as many have concerns about traditional insecticide spray products. Our internal start-up studio P&G Ventures developed Zevo with a powerful blend of active essential oils inspired by plants' natural defenses against bugs, for an effective way to control insects in the home using ingredients consumers know. Initially direct-to-consumer, Zevo has quickly expanded to several major U.S. retailers, helping us enter a new consumer segment—and generated organic sales growth over 50% in fiscal 2021.





BRAND BUILDING

As one of the world's largest advertisers, at P&G we're reinventing brand building—disrupting the advertising industry to drive innovation and deliver superior experiences for consumers. We're creating new tools like "smart audiences" to reach consumers with greater precision and to serve them with more useful, relevant content at the right frequency; supporting efforts to help eliminate hateful content online; and promoting equity through investment in multicultural marketing and media and accurately portraying all people in our communication.

In Brand Building, data & analytics and digital technology are reinventing how we work. We've already seen significant savings in agency fees and production costs, with further savings ahead.

These are just two examples. Over the last 10 years, we've fully embedded a productivity mindset into our operations and activity system. It is part of our DNA; now as integral to our culture as innovation. Productivity work never ends and will remain a significant part of our focus.

Leading Constructive Disruption

The pandemic has only accelerated disruption in what was already a rapidly changing world. We've found that the best way to deal with disruption is not just to accept it, but to lead it in a way that creates positive outcomes.

We use the term "constructive disruption" because it implies a bias towards positive action—changing in a meaningful way that leads to competitive advantage and creates value for retailers, investors, employees and consumers alike.

We're innovating how we innovate, moving faster by combining over 180 years of expertise with the entrepreneurial spirit of a startup. Our Oral-B iO power brush is a terrific example. Oral-B iO combines a linear magnetic drive system with an embedded 3D tracking technology that learns how users brush to guide them across highly personalized brushing modes for their best clean.

In our supply chain, we're developing a generation of new, digitally enabled technology platforms, like the Minimum Order Quantity platform (MOQx), a scalable, multi-SKU manufacturing capability. MOQx offers significant flexibility in modularity and scalability and can produce new SKUs in less than a week, from ideation to production.

We're also reinventing brand building, starting with reinventing media, to achieve mass reach with greater precision. For example, we're accelerating automated, programmatic media buying. In China, 90% of media spending is digital, and more than 65% is bought through programmatic media. In the U.S. and Europe, we're shifting from generic demographic-based audiences to "smart audiences" with profiles that enable reach with greater precision through programmatic buying.

With the increasing shift to e-commerce and the use of digital for commerce with omni-retailers, we're strengthening our in-house search capability to ensure our brands are seen first in key search terms and to serve content that clearly demonstrates the superiority of our brands versus competition.



SUPPLY CHAIN

We've developed digitally enabled technology platforms for a more advanced supply chain, such as our Minimum Order Quantity platform, or MOQx. It helps us customize manufacturing capability and change between SKUs more efficiently, for new levels of responsiveness and flexibility in serving our retailer customers, and a more resilient P&G supply network.



DIGITIZATION & DATA ANALYTICS

We're building data and analytics capability outside our IT organization. By giving IT-developed analytics tools to P&G people in supply chain, sales, media, product innovation and others, these Citizen Developers can create models and custom applications that are helping us better meet business needs. In Latin America, our sales team is creating low-code solutions to automate work and adjust our field sales and merchandising priorities to better serve retailers and consumers—helping drive superior retail execution and contributing to double digit Latin America organic sales growth in fiscal year 2021.

A More Empowered, Agile and Accountable Organization

NORTH AMERICA FABRIC CARE

Responding to rapidly changing consumer needs and behaviors, the increased agility of our North America Fabric Care team helped us accelerate e-commerce investment, launch more larger sizes as consumers minimized store trips, and respond to emerging needs with new innovations like Tide Hygienic Clean Power PODS (as laundry became part of hygiene practices), Bounce Pet (as pet adoptions increased) and Downy Intense liquid fabric enhancer and Downy Infusions scent beads (as consumers wanted mood enhancing scent at home)—all underpinned by the exceptional resiliency and responsiveness of our Product Supply organization.





ENTERPRISE MARKETS

P&G's Enterprise Markets execute within predefined strategies to deliver the plans set by the categories, and if they're on track, have the freedom to make executional changes without engaging category leadership. This flexibility was of increased importance in fiscal 2021 during the COVID-19 pandemic as decisions could be made quickly to deal with unexpected market closures or currency volatility—and Enterprise Markets grew organic sales 5% in fiscal 2021.

NEW WAYS OF WORKING

We're making changes to workplace flexibility, taking what we've learned during the pandemic and applying this knowledge to how we work—whether at sites, remotely or hybrid—in a way that will enable us to build the business, increase innovation and productivity, and strengthen our culture, all while ensuring employees' continued development, wellness, engagement and inclusion.



Leading constructive disruption drives sustainability as well. For example, we're creating and investing in digital watermarks to improve the efficiency and effectiveness of the recycling value chain. Digital watermarks are imperceptible to the naked eye, yet scannable with digital tools. They turn ordinary packages into "intelligent objects," allowing for more accurate sorting at recycling centers. This improves the quality and quantity of recycled material, leading to more value and less waste. This P&G-initiated effort is positioned to benefit the entire value chain and help address the critical sustainability goal of achieving a circular economy, and it has applications that extend far beyond recycling.

The constructive disruption we're leading in all areas of the value chain is critical to succeed in the dynamic world we live in today and tomorrow, and the work we're doing to lead constructive disruption throughout P&G shows that we're agile and willing to change anything and everything needed to win, except our Purpose, Values and Principles.

A Highly Engaged Organization and Culture

Our willingness to change is best demonstrated by the organization structure changes we implemented in July 2019. Today, we operate P&G through industry-based sector business units that manage our 10 product categories, with a differentiated approach in Focus Markets and Enterprise Markets, and a very small corporate group with best-in-class functional expertise.

As a result, we now have a more empowered, agile and accountable organization with little overlap or redundancy, flowing to new demands, and seamlessly supporting each other to deliver our strategic choices around the world. This new design is working well, especially during the pandemic as people are closer to the consumers and customers they serve.

We continue to evolve our structure and will be moving from six sector business units to five, combining Baby Care, Feminine Care and Family Care into one sector business unit to better take advantage of synergies in talent and shared competition.

P&G's culture is strong. P&G people are committed, driven and highly engaged, and we see that clearly in our annual employee survey results, which, despite the pandemic, remain high. Our foundational Purpose, Values and Principles continue to be a primary source of strength and pride, and we have record high scores in confidence in leadership and direction. Our employees also value our strong culture of Equality & Inclusion.

P&G's organization is well prepared for the future. This includes a diverse group of senior leaders with significant depth and experience across our business and operations, with the right mix of skills and capabilities needed to drive the Company forward.



Operating through five industry-based Sector Business Units in Focus and Enterprise Markets



Providing greater clarity on responsibilities and reporting lines



Strengthening leadership accountability



Enabling P&G people to accelerate growth and value creation

Citizenship and ESG: A Force for Good and A Force for Growth

P&G's ability to do well is connected to our commitment to doing good, and our ability to do good is strengthened by our growth. It's a virtuous cycle, and as a Company we're committed to be a force for good and force for growth in everything we do.

We refer to our efforts in Environmental, Social and Governance (ESG), as well as our additional activities and commitments in related spaces, as "Citizenship," which we believe is a holistic way to talk about all our efforts. We've built Citizenship into how we do business every day across each one of our Citizenship priorities: Environmental Sustainability, Equality & Inclusion, and Community Impact, with a foundation of Ethics & Corporate Responsibility.

Environmental Sustainability has been embedded in how P&G does business for decades. Over the past 10 years, we have reduced our greenhouse gas emissions by 50%, reached zero manufacturing waste to landfill across all production sites globally, and doubled the use of recycled resin in our plastic packaging. As we look to the future, our Ambition 2030 program includes commitments that our global operations will be carbon neutral for the decade by driving breakthrough energy efficiency, purchasing 100% renewable electricity globally and using natural climate solutions to compensate for any remaining emissions. Our Ambition 2030 goals also include improving finished product transportation emissions efficiency by 50%, making 100% of packaging recyclable or reusable, and reducing virgin petroleum plastic packaging by 50%. Later this year, we'll issue a climate transition action plan outlining our plans toward a long-term objective of net zero greenhouse gas emissions. We're also committed to using our voice, reach, innovation and expertise to make responsible consumption across all our brands irresistible, and we've recently launched a program called "It's Our Home" to share how small actions at home can make a big difference in reducing energy use, waste and water.

Our Equality & Inclusion efforts are guided by our aspiration to help create a world where equality and inclusion are achievable for all; where respect and inclusion are the cornerstones of our culture; and where equal access and opportunity to learn, grow, succeed and thrive are available to everyone, inside and outside of P&G. We support equality and inclusion with our employees, through our brands, with our business partners and in our communities. Over the last year, we have strengthened our diversity at all levels of our Company, including our Board of Directors, and are now publicly sharing our workforce representation data at pg.com/equalityandinclusion. We have also used our voice externally to address inequality. We introduced "Widen The Screen," a broad creative and partnership platform that enables and advocates for increased inclusion of Black creators across the advertising, film and television industries, broadening the spectrum of the images we see, the voices we hear, the stories we tell and the people we understand.

Our Community Impact work supports people and communities through trying times and unexpected challenges by being there to help with our trusted brands, which people count on to take care of their personal health and to create clean and healthy homes. We continue to provide COVID-19 relief around the world through donations of products, cash and personal protective equipment. And while the pandemic is rightfully top of mind, there are many people who've also faced natural disasters around the world, and we've responded to support those dealing with fires, floods, typhoons, hurricanes and other emergencies. Our Children's Safe Drinking Water Program continues to provide clean drinking water to those who lack access, reaching 18 billion liters of clean water provided since the program began, thanks to the collaboration of more than 150 partners, and we're on our way to 25 billion liters by 2025.

Ethics & Corporate Responsibility—good governance—is the foundation for everything we do at P&G, including our Citizenship work. From long experience, we know that building and sustaining a robust business depends on maintaining strong ethical, compliance and quality standards, and for more than 180 years, we've been guided by our Purpose, Values and Principles.

At P&G, we're committed to being a force for good and force for growth in everything we do, as we believe brands and companies have a responsibility to society. With our Lead with Love campaign, P&G is activating the power and reach of our trusted brands to deliver on a commitment of 2,021 acts of good in 2021 that will have a lasting, positive impact on people and communities around the world, engaging consumers, sparking conversations, and inspiring people everywhere to take action and to lead with love.



Citizenship at P&G

ENVIRONMENTAL

Environmental Sustainability

Environmental sustainability has been embedded in P&G's business for decades. We're continually working to reduce the impact of our operations and helping make responsible consumption irresistible for people everywhere.



P&G will continue to reduce the impact of our operations and deliver superior products that make it easy to make sustainable choices with no trade-off in performance. Nearly eight of 10 people want the brands they buy to help them be more environmentally conscious.[1] We launched the It's Our Home campaign to highlight how small actions at home can make a big difference for our planet.

(1) "It's Our Home" Study, conducted by P&G hosted on Toluna, surveying 5,371 people, February 2021 Global average (Canada, France, Germany, U.K., U.S.)

SOCIAL

Equality & Inclusion

We aspire to create a company and a world where equality and inclusion is achievable for all, building a diverse employee and leadership base to reflect the consumers we serve, fostering an inclusive and welcoming culture, and leveraging our influence to progress equality.



This year we introduced "Widen the Screen," a broad creative and partnership platform to increase inclusion of Black creators across the advertising, film and television industries, broadening the spectrum of the images we see, the voices we hear, the stories we tell, and the people we understand. To learn more about this work, visit www.pg.com/widenthescreen.

Community Impact

Whether it's supporting hygiene education, providing clean water, delivering essentials for families impacted by disaster, or mobilizing to help overcome the challenges of the COVID-19 pandemic, our goal is to improve the health and well-being of every community we touch.

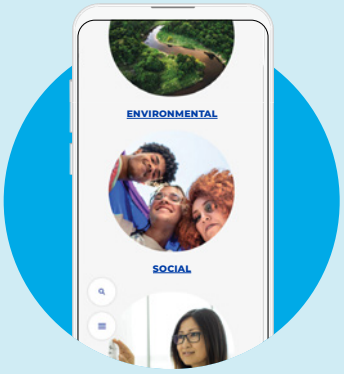


In 2004, we launched the P&G Children's Safe Drinking Water Program to help communities around the world. With an innovation that packs the power of a water treatment facility into a teabag-sized packet, families can turn dirty, potentially deadly water into clean drinkable water in just 30 minutes. Working with more than 150 global partners, we've provided more than 18 billion liters of water since the program began and helped transform lives by keeping families healthy, enabling education, and supporting more economic opportunity.

GOVERNANCE

Ethics & Corporate Responsibility

At P&G, we serve about five billion people around the world with our brands. How we serve the world's consumers matters, and we're committed to doing what's right and to being a good corporate citizen. Everything we do is firmly rooted in P&G's Purpose, Values and Principles.



We believe that strong governance practices contribute to better results for shareholders. In fiscal 2021, we created an online portal to increase transparency in ESG reporting, expanded the accessibility of our diversity data, shared reporting on our sound forestry practices, increased the diversity of our Board with two new members, and continued our ongoing work in ingredient transparency and safety.

To learn more about our goals, metrics, progress, and risks, visit www.pginvestor.com/esg and read our Citizenship Report at www.pg.com/citizenshipreport.

This is just an overview of our Citizenship work, and I encourage you to learn more from our annual Citizenship report at pg.com as well as from our ESG Investor website at pginvestor.com/esg.

We continue to put significant effort against our Citizenship priorities so that P&G can be a force for good and a force for growth in the world.

Strong Leadership to Take P&G Forward

I'm proud to share that on July 29th, P&G's Board of Directors unanimously elected Jon Moeller, Vice Chair and Chief Operating Officer, to succeed me as President and Chief Executive Officer, effective November 1, 2021.

Jon has been an integral part of P&G's leadership team for well over two decades, helping develop the strategies that we are executing with excellence to drive P&G's growth today. Jon is fully committed to P&G and P&G people. He is an outstanding leader, trusted confidant and valued partner to me and many across the Company, and I have benefited tremendously from his foresight, his focus and his friendship in my time as CEO.

In addition, Shailesh Jejurikar has been elected Chief Operating Officer, effective October 1, 2021. Shailesh currently serves as the Chief Executive Officer of the Company's Fabric & Home Care sector, P&G's largest business unit, which has consistently delivered industry-leading results.



I will transition to the role of Executive Chairman and support Jon and our terrific executive team as they continue to build on the strong momentum we have established through an integrated strategy that is being executed with excellence by P&G people everywhere.

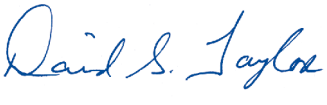
Sustained Excellence

Today, and every day, is a day to step forward to win and deliver sustained excellence. Our work over the past several years has given us a strong foundation, but the opportunity ahead of us is even greater. That must be our mindset. Learn from the past, create the winning future—focused on creating value.

We understand the barriers. We're clear about the near-term challenges ahead, but we see the possibilities because, collectively, with the diverse set of talent we have and the inclusive culture we're working hard to create, we can do almost anything once we set our minds to it.

We know we're capable. We have established strong momentum through an integrated strategy that is being executed with excellence by P&G people everywhere—a winning portfolio; superiority across product, package, communication, retail execution and value; productivity in everything we do; leading constructive disruption; and a more agile, accountable and empowered organization. These strategic choices are working well, and we have a long runway ahead to keep driving them. We'll manage what is likely to be a volatile near term consistent with this strategy and against the immediate priorities of ensuring employee health and safety, maximizing availability of our products to serve cleaning, health, and hygiene needs and helping society overcome the COVID-19 challenges that still exist in many parts of the world.

I believe we're well-positioned to grow through and beyond the pandemic, led by a team of committed, dedicated people who want to win with consumers, for our shareowners and stakeholders, and for each other. I look forward to supporting Jon, P&G's lead team and P&G people everywhere as they continue to raise the bar on winning to deliver sustained excellence.



DAVID S. TAYLOR

Chairman of the Board, President and Chief Executive Officer

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark one)

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 TRUE

For the Fiscal Year Ended June 30, 2021

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-434

THE PROCTER & GAMBLE COMPANY

One Procter & Gamble Plaza, Cincinnati, Ohio 45202

Telephone (513) 983-1100

IRS Employer Identification No. 31-0411980

State of Incorporation: Ohio

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, without Par Value	PG	New York Stock Exchange
2.000% notes due 2021	PG21	New York Stock Exchange
2.000% notes due 2022	PG22B	New York Stock Exchange
1.125% notes due 2023	PG23A	New York Stock Exchange
0.500% notes due 2024	PG24A	New York Stock Exchange
0.625% notes due 2024	PG24B	New York Stock Exchange
1.375% notes due 2025	PG25	New York Stock Exchange
4.875% EUR notes due May 2027	PG27A	New York Stock Exchange
1.200% notes due 2028	PG28	New York Stock Exchange
1.250% notes due 2029	PG29B	New York Stock Exchange
1.800% notes due 2029	PG29A	New York Stock Exchange
6.250% GBP notes due January 2030	PG30	New York Stock Exchange
5.250% GBP notes due January 2033	PG33	New York Stock Exchange
1.875% notes due 2038	PG38	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filed," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☑ No ☐ TRUE

The aggregate market value of the voting stock held by non-affiliates amounted to $341 billion on December 31, 2020.

There were 2,427,424,874 shares of Common Stock outstanding as of July 31, 2021.

Documents Incorporated by Reference

Portions of the Proxy Statement for the 2021 Annual Meeting of Shareholders, which will be filed within one hundred and twenty days of the fiscal year ended June 30, 2021 (2021 Proxy Statement), are incorporated by reference into Part III of this report to the extent described herein.

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PART I

Item 1. Business.

The Procter & Gamble Company (the Company) is focused on providing branded products of superior quality and value to improve the lives of the world's consumers, now and for generations to come. The Company was incorporated in Ohio in 1905, having first been established as a New Jersey corporation in 1890, and was built from a business founded in Cincinnati in 1837 by William Procter and James Gamble. Today, our products are sold in more than 180 countries and territories.

Additional information required by this item is incorporated herein by reference to Management's Discussion and Analysis (MD&A); and Notes 1 and 2 to our Consolidated Financial Statements. Unless the context indicates otherwise, the terms the "Company," "P&G," "we," "our" or "us" as used herein refer to The Procter & Gamble Company (the registrant) and its subsidiaries.

Throughout this Form 10-K, we incorporate by reference information from other documents filed with the Securities and Exchange Commission (SEC).

The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments thereto, are filed electronically with the SEC. The SEC maintains an internet site that contains these reports at: www.sec.gov. You can also access these reports through links from our website at: www.pginvestor.com. P&G includes the website link solely as a textual reference. The information contained on our website is not incorporated by reference into this report.

Copies of these reports are also available, without charge, by contacting EQ Shareowner Services, 1100 Centre Pointe Curve, Suite 101, Mendota, MN 55120-4100.

Financial Information about Segments

Information about our reportable segments can be found in the MD&A and Note 2 to our Consolidated Financial Statements.

Narrative Description of Business

Business Model. Our business model relies on the continued growth and success of existing brands and products, as well as the creation of new innovative products and brands. The markets and industry segments in which we offer our products are highly competitive. Our products are sold in more than 180 countries and territories through numerous channels as well as direct-to-consumer. Our growth strategy is to deliver meaningful and noticeable superiority in all elements of our consumer proposition - product, packaging, brand communication, retail execution and consumer and customer value equation. We use our research and development and consumer insights to provide superior products and packaging. We utilize our marketing and online presence to deliver superior brand messaging to our consumers. We work collaboratively with our customers to deliver superior retail execution, both in-store and online. In conjunction with the above elements, we provide superior value to consumers and our retail customers in each price tier in which we compete. Productivity improvement is also critical to delivering our objectives of balanced top and bottom-line growth and value creation.

Key Product Categories. Information on key product categories can be found in the MD&A and Note 2 to our Consolidated Financial Statements.

Key Customers. Our customers include mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. These customers sell our products to individual consumers. We also sell direct to consumers. Sales to Walmart Inc. and its affiliates represent approximately 15% of our total sales in 2021, 2020 and 2019. No other customer represents more than 10% of our total sales. Our top ten customers accounted for approximately 39% of our total sales in 2021, 38% in 2020 and 36% in 2019.

Sources and Availability of Materials. Almost all of the raw and packaging materials used by the Company are purchased from third parties, some of whom are single-source suppliers. We produce certain raw materials, primarily chemicals, for further use in the manufacturing process. In addition, fuel, natural gas and derivative products are important commodities consumed in our manufacturing processes and in the transportation of input materials and finished products to customers. The prices we pay for materials and other commodities are subject to fluctuation. When prices for these items change, we may or may not pass the change to our customers. The Company purchases a substantial variety of other raw and packaging materials, none of which are material to our business taken as a whole.

Trademarks and Patents. We own or have licenses under patents and registered trademarks, which are used in connection with our activity in all businesses. Some of these patents or licenses cover significant product formulation and processes used to manufacture our products. The trademarks are important to the overall marketing and branding of our products. All major trademarks in each business are registered. In part, our success can be attributed to the existence and continued protection of these trademarks, patents and licenses.

Competitive Condition. The markets in which our products are sold are highly competitive. Our products compete against similar products of many large and small companies, including well-known global competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products as well as retailers' private-label brands. We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position. We support our products with advertising,

promotions and other marketing vehicles to build awareness and trial of our brands and products in conjunction with our sales force. We believe this combination provides the most efficient method of marketing for these types of products. Product quality, performance, value and packaging are also important differentiating factors.

Government Regulation. Our Company is subject to a wide variety of laws and regulations across the countries in which we do business. In the United States, many of our products and manufacturing operations are subject to one or more federal or state regulatory agencies, including the U.S. Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), the Federal Trade Commission (FTC), and the Consumer Product Safety Commission (CPSC). We are also subject to anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act, and antitrust and competition laws and regulations that govern our dealings with suppliers, customers, competitors, and government officials.

In addition, many foreign jurisdictions in which we do business have regulations and regulatory bodies that govern similar aspects of our operations and products, in some cases to an even more significant degree. We are also subject to expanding laws and regulations related to environmental protection, non-financial reporting and diligence, labor and employment, trade, taxation, and data privacy and protection, including the European Union's General Data Protection Regulation (GDPR) and similar regulations in states within the United States and in countries around the world. For additional information on the potential impacts of global legal and regulatory requirements on our business, see "Item 1A. Risk Factors" herein.

The Company has in place compliance programs and internal and external experts to help guide our business in complying with these and other existing laws and regulations that apply to us around the globe; and we have made, and plan to continue making, necessary expenditures for compliance with these laws and regulations. We also expect that our many suppliers, consultants, and other third parties working on our behalf share our commitment to compliance, and we have policies and procedures in place to manage these relationships, though they inherently involve a lesser degree of control over operations and governance. We do not expect that the Company's expenditures for compliance with current government regulations, including current environmental regulations, will have a material effect on our total capital expenditures, earnings, or competitive position in fiscal year 2022 as compared to prior periods.

Human Capital. Our employees are a key source of competitive advantage and their actions, guided by our Purpose, Values and Principles (PVPs), are critical to the long- term success of our business. As of June 30, 2021, the Company had approximately 101,000 employees, an increase of two percent versus the prior year due primarily to business growth. The total number of employees is an estimate of total Company employees excluding interns, co-ops, contractors and employees of joint ventures. As of June 30, 2021, 49% of our employees are in manufacturing roles and 26% of our employees are located in the United States.

We focus on attracting, developing and retaining skilled, diverse talent, including recruiting from among the best universities across the markets in which we compete and are generally able to select from the top talent. We focus on developing our employees by providing a variety of job experiences, training programs and skill development opportunities. Our employees' holistic growth and full engagement is particularly important, as we primarily have a develop-from-within model for staffing our senior leadership positions. We aim to retain our talented employees by offering competitive compensation and benefits, strong career development and a respectful and inclusive culture that provides equal opportunity for all.

As a consumer products company, we believe that it is important for our workforce to reflect the diversity of our consumers. We also seek to foster an inclusive work environment where each individual can bring their whole self, which helps drive innovation and enables us to better serve our consumers. We aspire to achieve equal gender representation globally and at key management and leadership levels. As of June 30, 2021, 40% of our global employees are women. In the U.S. workforce, we are progressing towards our aspiration of 40% multicultural representation overall as well as at management and leadership levels. As of June 30, 2021, 26% of our U.S. employees identify as multicultural.

Our compensation plans are based on the principles of paying for performance, paying competitively versus peer companies that we compete with for talent and in the marketplace, and focusing on long-term success through a combination of short-term and long-term incentive plans. We also offer competitive benefit programs, including retirement plans and health insurance in line with local country practices with flexibility to accommodate the needs of a diverse workforce.

Item 1A. Risk Factors.

We discuss our expectations regarding future performance, events and outcomes, such as our business outlook and objectives in this Form 10-K, as well as in our quarterly and annual reports, current reports on Form 8-K, press releases and other written and oral communications. All statements, except for historical and present factual information, are "forward-looking statements" and are based on financial data and business plans available only as of the time the statements are made, which may become outdated or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors, except to the extent required by law. Forward-looking statements are inherently uncertain, and investors must recognize that events could significantly differ from our expectations.

The following discussion of "risk factors" identifies significant factors that may adversely affect our business, operations, financial position or future financial performance. This information should be read in

conjunction with Management's Discussion and Analysis and the Consolidated Financial Statements and related Notes incorporated in this report. The following discussion of risks is not all inclusive but is designed to highlight what we believe are important factors to consider when evaluating our expectations. These and other factors could cause our future results to differ from those in the forward-looking statements and from historical trends, perhaps materially.

MACROECONOMIC CONDITIONS AND RELATED FINANCIAL RISKS

Our business is subject to numerous risks as a result of our having significant operations and sales in international markets, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility.

We are a global company, with operations in approximately 70 countries and products sold in more than 180 countries and territories around the world. We hold assets, incur liabilities, generate sales and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate more than fifty percent of our annual net sales. Fluctuations in exchange rates for foreign currencies have and could continue to reduce the U.S. dollar value of sales, earnings and cash flows we receive from non-U.S. markets, increase our supply costs (as measured in U.S. dollars) in those markets, negatively impact our competitiveness in those markets or otherwise adversely impact our business results or financial condition. Further, we have a significant amount of foreign currency debt and derivatives as part of our capital markets activities. The maturity cash outflows of these instruments could be adversely impacted by significant appreciation of foreign currency exchange rates (particularly the Euro), which could adversely impact our overall cash flows. Moreover, discriminatory or conflicting fiscal or trade policies in different countries, including changes to tariffs and existing trade policies and agreements, could adversely affect our results. See also the Results of Operations and Cash Flow, Financial Condition and Liquidity sections of the MD&A, and the Consolidated Financial Statements and related Notes.

We also have businesses and maintain local currency cash balances in a number of countries with currency exchange, import authorization, pricing or other controls or restrictions, such as Nigeria, Algeria, Egypt, Argentina and Turkey. Our results of operations, financial condition and cash flows could be adversely impacted if we are unable to successfully manage such controls and restrictions, continue existing business operations and repatriate earnings from overseas, or if new or increased tariffs, quotas, exchange or price controls, trade barriers or similar restrictions are imposed on our business.

Additionally, our business, operations or employees have been and could continue to be adversely affected (including by the need to de-consolidate or even exit certain businesses in particular countries) by political volatility, labor market disruptions or other crises or vulnerabilities in individual countries or regions, including political instability or upheaval, broad economic instability or sovereign risk related to a default by or deterioration in the creditworthiness of local governments, particularly in emerging markets.

Uncertain economic or social conditions may adversely impact demand for our products or cause our customers and other business partners to suffer financial hardship, which could adversely impact our business.

Our business could be negatively impacted by reduced demand for our products related to one or more significant local, regional or global economic or social disruptions. These disruptions have included and may in the future include: a slow-down or recession in the general economy; reduced market growth rates; tighter credit markets for our suppliers, vendors or customers; a significant shift in government policies; significant social unrest; the deterioration of economic relations between countries or regions, including potential negative consumer sentiment toward non-local products or sources; or the inability to conduct day-to-day transactions through our financial intermediaries to pay funds to or collect funds from our customers, vendors and suppliers. Additionally, these and other economic conditions may cause our suppliers, distributors, contractors or other third-party partners to suffer financial or operational difficulties that they cannot overcome, resulting in their inability to provide us with the materials and services we need, in which case our business and results of operations could be adversely affected. Customers may also suffer financial hardships due to economic conditions such that their accounts become uncollectible or are subject to longer collection cycles. In addition, if we are unable to generate sufficient sales, income and cash flow, it could affect the Company’s ability to achieve expected share repurchase and dividend payments.

Disruptions in credit markets or to our banking partners or changes to our credit ratings may reduce our access to credit or overall liquidity.

A disruption in the credit markets or a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, which could adversely affect our liquidity and capital resources or significantly increase our cost of capital. In addition, we rely on top-tier banking partners in key markets around the world, who themselves face economic, societal, political, and other risks, for access to credit and to facilitate collection and payment programs. A disruption to one or more of these top-tier partners could impact our ability to draw on existing credit facilities or otherwise adversely affect our cash flows.

Changing political conditions could adversely impact our business and financial results.

Changes in the political conditions in markets in which we manufacture, sell or distribute our products may be difficult to predict and may adversely affect our business and financial results. Results of elections, referendums or other political processes in certain markets in which our products

are manufactured, sold or distributed (such as the United Kingdom's withdrawal from the European Union) could create uncertainty regarding how existing governmental policies, laws and regulations may change, including with respect to sanctions, taxes, tariffs, import and export controls and the general movement of goods, services, capital and people between countries and other matters. The potential implications of such uncertainty, which include, among others, exchange rate fluctuations, new or increased tariffs, trade barriers and market contraction, could adversely affect the Company's results of operations and cash flows.

BUSINESS OPERATIONS RISKS

Our business results depend on our ability to manage disruptions in our global supply chain.

Our ability to meet our customers' needs and achieve cost targets depends on our ability to maintain key manufacturing and supply arrangements, including execution of supply chain optimizations and certain sole supplier or sole manufacturing plant arrangements. The loss or disruption of such manufacturing and supply arrangements, including for issues such as labor disputes or controversies, loss or impairment of key manufacturing sites, discontinuity or disruptions in our internal information and data systems, inability to procure sufficient raw or input materials (including water, recycled materials, and materials that meet our labor standards), significant changes in trade policy, natural disasters, increasing severity or frequency of extreme weather events due to climate change or otherwise, acts of war or terrorism, disease outbreaks or other external factors over which we have no control, have at times interrupted and could, in the future, interrupt product supply and, if not effectively managed and remedied, could have an adverse impact on our business, financial condition, results of operations or cash flows.

Our businesses face cost fluctuations and pressures that could affect our business results.

Our costs are subject to fluctuations, particularly due to changes in the prices of commodities (including certain petroleum-derived materials like resins and paper-based materials like pulp) and raw and packaging materials and the costs of labor, transportation (including trucks and containers), energy, pension and healthcare. Inflation pressures could also result in increases in these input costs. Therefore, our business results depend, in part, on our continued ability to manage these fluctuations through pricing actions, cost saving projects and sourcing decisions, while maintaining and improving margins and market share. Failure to manage these fluctuations could adversely impact our results of operations or cash flows.

The ability to achieve our business objectives depends on how well we can compete with our local and global competitors in new and existing markets and channels.

The consumer products industry is highly competitive. Across all of our categories, we compete against a wide variety of global and local competitors. As a result, we experience ongoing competitive pressures in the environments in which we operate, which may result in challenges in maintaining sales and profit margins. To address these challenges, we must be able to successfully respond to competitive factors and emerging retail trends, including pricing, promotional incentives, product delivery windows and trade terms. In addition, evolving sales channels and business models may affect customer and consumer preferences as well as market dynamics, which, for example, may be seen in the growing consumer preference for shopping online, ease of competitive entry into certain categories, and growth in hard discounter channels. Failure to successfully respond to competitive factors and emerging retail trends, and effectively compete in growing sales channels and business models, particularly e-commerce and mobile or social commerce applications, could negatively impact our results of operations or cash flows.

A significant change in customer relationships or in customer demand for our products could have a significant impact on our business.

We sell most of our products via retail customers, which include mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. Our success depends on our ability to successfully manage relationships with our retail trade customers, which includes our ability to offer trade terms that are mutually acceptable and are aligned with our pricing and profitability targets. Continued concentration among our retail customers could create significant cost and margin pressure on our business, and our business performance could suffer if we cannot reach agreement with a key customer on trade terms and principles. Our business could also be negatively impacted if a key customer were to significantly reduce the inventory level of or shelf space allocated to our products as a result of increased offerings of other branded manufacturers, private label brands and generic non-branded products or for other reasons, significantly tighten product delivery windows or experience a significant business disruption.

If the reputation of the Company or one or more of our brands erodes significantly, it could have a material impact on our financial results.

The Company's reputation, and the reputation of our brands, form the foundation of our relationships with key stakeholders and other constituencies, including consumers, customers and suppliers. The quality and safety of our products are critical to our business. Many of our brands have worldwide recognition and our financial success directly depends on the success of our brands. The success of our brands can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Our results of operations or cash flows could also be negatively impacted if the Company or one of our brands suffers substantial harm to its reputation due to a significant product recall, product-related litigation, defects or impurities in our products, product

misuse, changing consumer perceptions of certain ingredients, negative perceptions of packaging (such as plastic and other petroleum- based materials), lack of recyclability or other environmental impacts, concerns about actual or alleged labor or equality and inclusion practices, privacy lapses or data breaches, allegations of product tampering or the distribution and sale of counterfeit products. Additionally, negative or inaccurate postings or comments on social media or networking websites about the Company or one of its brands could generate adverse publicity that could damage the reputation of our brands or the Company. If we are unable to effectively manage real or perceived issues, including concerns about safety, quality, ingredients, efficacy, environmental or social impacts or similar matters, sentiments toward the Company or our products could be negatively impacted, and our results of operations or cash flows could suffer. Our Company also devotes time and resources to citizenship efforts that are consistent with our corporate values and are designed to strengthen our business and protect and preserve our reputation, including programs driving ethics and corporate responsibility, strong communities, equality and inclusion, and environmental sustainability. If these programs are not executed as planned or suffer negative publicity, the Company's reputation and results of operations or cash flows could be adversely impacted.

We rely on third parties in many aspects of our business, which creates additional risk.

Due to the scale and scope of our business, we must rely on relationships with third parties, including our suppliers, contract manufacturers, distributors, contractors, commercial banks, joint venture partners and external business partners, for certain functions. If we are unable to effectively manage our third-party relationships and the agreements under which our third-party partners operate, our results of operations and cash flows could be adversely impacted. Further, failure of these third parties to meet their obligations to the Company or substantial disruptions in the relationships between the Company and these third parties could adversely impact our operations and financial results. Additionally, while we have policies and procedures for managing these relationships, they inherently involve a lesser degree of control over business operations, governance and compliance, thereby potentially increasing our financial, legal, reputational and operational risk.

A significant information security or operational technology incident, including a cybersecurity breach, or the failure of one or more key information or operations technology systems, networks, hardware, processes, and/or associated sites owned or operated by the Company or one of its service providers could have a material adverse impact on our business or reputation.

We rely extensively on information and operational technology (IT/OT) systems, networks and services, including internet and intranet sites, data hosting and processing facilities and technologies, physical security systems and other hardware, software and technical applications and platforms, many of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting our business. The various uses of these IT/OT systems, networks and services include, but are not limited to:

- ordering and managing materials from suppliers;
- converting materials to finished products;
- shipping products to customers;
- marketing and selling products to consumers;
- collecting, transferring, storing and/or processing customer, consumer, employee, vendor, investor, and other stakeholder information and personal data, including such data from persons covered by an expanding landscape of privacy and data regulations, such as citizens of the European Union who are covered by the GDPR or residents of California covered by the California Consumer Privacy Act (CCPA);
- summarizing and reporting results of operations, including financial reporting;
- managing our banking and other cash liquidity systems and platforms;
- hosting, processing and sharing, as appropriate, confidential and proprietary research, business plans and financial information;
- collaborating via an online and efficient means of global business communications;
- complying with regulatory, legal and tax requirements;
- providing data security; and
- handling other processes necessary to manage our business.

Numerous and evolving information security threats, including advanced persistent cybersecurity threats, pose a risk to the security of our services, systems, networks and supply chain, as well as to the confidentiality, availability and integrity of our data and of our critical business operations. In addition, because the techniques, tools and tactics used in cyber-attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack.

Our IT/OT databases and systems and our third-party providers' databases and systems have been, and will likely continue to be, subject to advanced computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking and other cyber-attacks. Such attacks may originate from outside parties, hackers, criminal organizations or other threat actors, including nation states. In addition, insider actors-malicious or otherwise-could cause technical disruptions and/or confidential data leakage. We cannot guarantee that our security efforts or the security efforts of our third-party providers will prevent material breaches, operational incidents or other breakdowns to our or our third-party providers' IT/OT databases or systems.

A breach of our data security systems or failure of our IT/OT databases and systems may have a material adverse impact on our business operations and financial results. If the IT/OT systems, networks or service providers we rely upon fail to function properly or cause operational outages or aberrations, or if we or one of our third-party providers suffer significant unavailability of key operations, or inadvertent disclosure of, lack of integrity of, or loss of our sensitive business or stakeholder information, due to any number of causes, including catastrophic events, natural disasters, power outages, computer and telecommunications failures, improper data handling, viruses, phishing attempts, cyber-attacks, malware and ransomware attacks, security breaches, security incidents or employee error or malfeasance, and our business continuity plans do not effectively address these failures on a timely basis, we may suffer interruptions in our ability to manage operations and be exposed to reputational, competitive, operational, financial and business harm as well as litigation and regulatory action. If our critical IT systems or back-up systems or those of our third-party vendors are damaged or cease to function properly, we may have to make a significant investment to repair or replace them.

In addition, if a ransomware attack or other cybersecurity incident occurs, either internally or at our third-party technology service providers, we could be prevented from accessing our data or systems, which may cause interruptions or delays in our business operations, cause us to incur remediation costs, subject us to demands to pay a ransom, or damage our reputation. In addition, such events could result in unauthorized disclosure of confidential information, and we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our partners, our employees, customers, and suppliers. Additionally, we could be exposed to potential liability, litigation, governmental inquiries, investigations, or regulatory enforcement actions; and we could be subject to payment of fines or other penalties, legal claims by our suppliers, customers or employees, and significant remediation costs.

Periodically, we also upgrade our IT/OT systems or adopt new technologies. If such a new system or technology does not function properly or otherwise exposes us to increased cybersecurity breaches and failures, it could affect our ability to order materials, make and ship orders, and process payments in addition to other operational and information integrity and loss issues. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results of operations and cash flows.

We must successfully manage the demand, supply, and operational challenges associated with the effects of a disease outbreak, including epidemics, pandemics, or similar widespread public health concerns.

Our business may be negatively impacted by the fear of exposure to or actual effects of a disease outbreak, epidemic, pandemic, or similar widespread public health concern, such as travel restrictions or recommendations or mandates from governmental authorities to avoid large gatherings or to self-quarantine as a result of the novel coronavirus (COVID-19) pandemic. These impacts include, but are not limited to:

- Significant reductions in demand or significant volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship, shifts in demand away from one or more of our more discretionary or higher priced products to lower priced products, or stockpiling or similar pantry-loading activity. If prolonged, such impacts can further increase the difficulty of business or operations planning and may adversely impact our results of operations and cash flows;
- Inability to meet our customers' needs and achieve cost targets due to disruptions in our manufacturing and supply arrangements caused by constrained workforce capacity or the loss or disruption of other essential manufacturing and supply elements such as raw materials or other finished product components, transportation, or other manufacturing and distribution capability;
- Failure of third parties on which we rely, including our suppliers, contract manufacturers, distributors, contractors, commercial banks, joint venture partners and external business partners, to meet their obligations to the Company, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may adversely impact our operations; or
- Significant changes in the political conditions in markets in which we manufacture, sell or distribute our products, including quarantines, import/export restrictions, price controls, or governmental or regulatory actions, closures or other restrictions that limit or close our operating and manufacturing facilities, restrict our employees' ability to travel or perform necessary business functions, or otherwise prevent our third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of our products, which could adversely impact our results of operations and cash flows.

Despite our efforts to manage and remedy these impacts to the Company, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of any such outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects. In the case of COVID-19, the availability and public acceptance of effective vaccines has initially varied and may continue to vary significantly across regions and countries where we operate, leading to further volatility and disparity in our results and operations across geographies.

BUSINESS STRATEGY & ORGANIZATIONAL RISKS

Our ability to meet our growth targets depends on successful product, marketing and operations innovation and successful responses to competitive innovation, evolving digital marketing and selling platforms, and changing consumer habits.

We are a consumer products company that relies on continued global demand for our brands and products. Achieving our business results depends, in part, on successfully developing, introducing and marketing new products and on making significant improvements to our equipment and manufacturing processes. The success of such innovation depends on our ability to correctly anticipate customer and consumer acceptance and trends, to obtain, maintain and enforce necessary intellectual property protections and to avoid infringing upon the intellectual property rights of others, and to continue to deliver efficient and effective marketing across evolving media and mobile platforms with dynamic privacy requirements. We must also successfully respond to technological advances made by, and intellectual property rights granted to, competitors, customers and vendors. Failure to continually innovate, improve and respond to competitive moves, platform evolution, and changing consumer habits could compromise our competitive position and adversely impact our financial condition, results of operations or cash flows.

We must successfully manage ongoing acquisition, joint venture and divestiture activities.

As a company that manages a portfolio of consumer brands, our ongoing business model includes a certain level of acquisition, joint venture and divestiture activities. We must be able to successfully manage the impacts of these activities, while at the same time delivering against our business objectives. Specifically, our financial results have been, and in the future could be, adversely impacted by the dilutive impacts from the loss of earnings associated with divested brands or dissolution of joint ventures. Our results of operations and cash flows have been and, in the future could also be, impacted by acquisitions or joint venture activities, if: 1) changes in the cash flows or other market-based assumptions cause the value of acquired assets to fall below book value, or 2) we are not able to deliver the expected cost and growth synergies associated with such acquisitions and joint ventures, including as a result of integration and collaboration challenges, which could also result in an impairment of goodwill and intangible assets.

Our business results depend on our ability to successfully manage productivity improvements and ongoing organizational change, including attracting and retaining key talent as part of our overall succession planning.

Our financial projections assume certain ongoing productivity improvements and cost savings, including staffing adjustments as well as employee departures. Failure to deliver these planned productivity improvements and cost savings, while continuing to invest in business growth, could adversely impact our results of operations and cash flows. Additionally, successfully executing organizational change, management transitions at leadership levels of the Company and motivation and retention of key employees, is critical to our business success. Factors that may affect our ability to attract and retain sufficient numbers of qualified employees include employee morale, our reputation, competition from other employers and availability of qualified individuals. Our success depends on identifying, developing and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key growth markets where the depth of skilled or experienced employees may be limited and competition for these resources is intense, as well as continuing the development and execution of robust leadership succession plans.

LEGAL & REGULATORY RISKS

We must successfully manage compliance with current and expanding laws and regulations, as well as manage new and pending legal and regulatory matters in the U.S. and abroad.

Our business is subject to a wide variety of laws and regulations across the countries in which we do business, including those laws and regulations involving intellectual property, product liability, product composition or formulation, packaging content or end-of-life responsibility, marketing, antitrust and competition, privacy, data protection, environmental (including increasing focus on the climate, water, and waste impacts of consumer packaged goods companies' operations and products), employment, healthcare, anti-bribery, anti-corruption, trade (including tariffs, sanctions and export controls), tax, accounting and financial reporting or other matters. In addition, increasing governmental and societal attention to environmental, social, and governance (ESG) matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, waste production, water usage, human capital, labor, and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, and report. These and other rapidly changing laws, regulations, policies and related interpretations, as well as increased enforcement actions by various governmental and regulatory agencies, create challenges for the Company, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our results of operations and cash flows. If we are unable to continue to meet these challenges and comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results. Additionally, we are currently, and in the future may be, subject to a number of inquiries, investigations, claims, proceeding, and requests for information from governmental agencies or private parties, the adverse outcomes of which could harm our business. Failure to successfully manage these new or pending regulatory and legal matters and resolve such matters without significant liability or damage to our reputation may

materially adversely impact our financial condition, results of operations and cash flows. Furthermore, if new or pending legal or regulatory matters result in fines or costs in excess of the amounts accrued to date, that may also materially impact our results of operations and financial position.

Changes in applicable tax laws and regulations and resolutions of tax disputes could negatively affect our financial results.

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. Changes in the various tax laws can and do occur. For example, in December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the U.S. Tax Act). The changes included in the U.S. Tax Act were broad and complex. Under the current U.S. presidential administration, comprehensive federal income tax reform has been proposed, including an increase in the U.S. Federal corporate income tax rate, elimination of certain investment incentives, and a more than doubling of U.S. residual taxation of non-U.S. earnings. While these proposals are controversial, likely to change during the legislative process, and may prove difficult to enact as proposed in the current closely divided U.S. Congress, their impact could nonetheless be significant.

Additionally, longstanding international tax norms that determine each country’s jurisdiction to tax cross-border international trade are subject to potential evolution. An outgrowth of the original Base Erosion and Profit Shifting (BEPS) project is a project undertaken by the more than 130 member countries of the expanded OECD Inclusive Framework focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of this project extends beyond pure digital businesses and is likely to impact all multinational businesses by potentially redefining jurisdictional taxation rights in market countries and establishing a global minimum tax.

While it is too early to assess the overall impact of these potential changes, as these and other tax laws and related regulations are revised, enacted, and implemented, our financial condition, results of operations, and cash flows could be materially impacted.

Furthermore, we are subject to regular review and audit by both foreign and domestic tax authorities. While we believe our tax positions will be sustained, the final outcome of tax audits and related litigation, including maintaining our intended tax treatment of divestiture transactions such as the fiscal 2017 Beauty Brands transaction with Coty, may differ materially from the tax amounts recorded in our Consolidated Financial Statements, which could adversely impact our results of operations and cash flows.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In the U.S., we own and operate 23 manufacturing sites located in 17 different states. In addition, we own and operate 82 manufacturing sites in 36 other countries. Many of the domestic and international sites manufacture products for multiple businesses. Beauty products are manufactured at 22 of these locations; Grooming products at 18; Health Care products at 21; Fabric & Home Care products at 38; and Baby, Feminine & Family Care at 37. We own our Corporate headquarters in Cincinnati, Ohio. We own or lease our principal regional general offices in Switzerland, Panama, Singapore, China and Dubai. We own or lease our principal regional shared service centers in Costa Rica, the United Kingdom and the Philippines. Management believes that the Company's sites are adequate to support the business and that the properties and equipment have been well maintained.

Item 3. Legal Proceedings.

The Company is subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters and tax. In addition, SEC regulations require that we disclose certain environmental proceedings arising under Federal, State, or local law when a governmental authority is a party and such proceeding involves potential monetary sanctions that the Company reasonably believes will exceed a certain threshold ($1 million or more). There are no relevant matters to disclose under this Item for this period. See Note 13 to our Consolidated Financial Statements for information on certain legal proceedings for which there are contingencies.

This item should be read in conjunction with the Company's Risk Factors in Part I, Item 1A for additional information.

Item 4. Mine Safety Disclosure.

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names, ages and positions held by the Executive Officers of the Company on August 6, 2021, are:

Name	Position	Age	First Elected to Officer Position
David S. Taylor	Chairman of the Board, President and Chief Executive Officer	63	2013
Jon R. Moeller	Vice Chairman and Chief Operating Officer; Director	57	2009 [(1)]
Andre Schulten	Chief Financial Officer	50	2021 [(2)]
Gary A. Coombe	Chief Executive Officer - Grooming	57	2014 [(3)]
Mary Lynn Ferguson-McHugh	Chief Executive Officer - Family Care and New Business	61	2016
Ma. Fatima D. Francisco	Chief Executive Officer - Baby and Feminine Care	53	2018 [(4)]
Shailesh Jejurikar	Chief Executive Officer - Fabric and Home Care	54	2018 [(5)]
R. Alexandra Keith	Chief Executive Officer - Beauty	53	2017 [(6)]
Carolyn M. Tastad	Chief Executive Officer - Health Care	60	2014 [(7)]
M. Tracey Grabowski	Chief Human Resources Officer	53	2018 [(8)]
Victor Aguilar	Chief Research, Development and Innovation Officer	54	2020 [(9)]
Deborah P. Majoras	Chief Legal Officer and Secretary	57	2010
Marc S. Pritchard	Chief Brand Officer	61	2008

All the Executive Officers named above have been employed by the Company for more than the past five years.

(1) Mr. Moeller previously served as Vice Chairman, Chief Operating Officer and Chief Financial Officer (2019-2021), Vice Chairman and Chief Financial Officer (2017 - 2019) and as Chief Financial Officer (2009 - 2017). He was appointed a Director of the Company in July 2021.

(2) Mr. Schulten previously served as Senior Vice President - Baby Care, North America (2018-2021) and Senior Vice President - Finance & Accounting, Global Baby, Feminine and Family Care (2014-2018).

(3) Mr. Coombe previously served as President - Europe Selling & Market Operations (November 2014 - February 2018).

(4) Ms. Francisco previously served as President - Global Feminine Care (November 2015 - August 2018).

(5) Mr. Jejurikar previously served as President - Global Fabric Care and Brand-Building Officer Global Fabric & Home Care (November 2015 - July 2018).

(6) Ms. Keith previously served as President - Global Skin & Personal Care (November 2014 - June 2017).

(7) Ms. Tastad previously served as Group President - North America and Chief Sales Officer (June 2019 - July 2021) and Group President - North America Selling & Market Operations (January 2015 - May 2019).

(8) Ms. Grabowski previously served as Senior Vice President - Human Resources, North America Selling and Market Operations (April 2015 - July 2018).

(9) Mr. Aguilar previously served as Senior Vice President - Research & Development, Corporate Function Research & Development (January 2020 - September 2020), Senior Vice President - Research & Development, Corporate Function Research & Development and Global Fabric Care (April 2019 - January 2020), and Senior Vice President–Research & Development, Global Fabric Care; and Sector Leader, Research & Development Global Fabric and Home Care (November 2014 - April 2019).

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [3]	Approximate Dollar Value of Shares that May Yet Be Purchased Under Our Share Repurchase Program
4/1/2021 - 4/30/2021	5,908,114	$135.41	5,908,114	[3]
5/1/2021 - 5/31/2021	8,038,515	136.84	8,038,515	[3]
6/1/2021 - 6/30/2021	8,184,384	134.40	8,184,384	[3]
Total	22,131,013	$135.56	22,131,013	[3]

(1) All transactions are reported on a trade date basis and were made in the open market with large financial institutions. This table excludes shares withheld from employees to satisfy minimum tax withholding requirements on option exercises and other equity-based transactions. The Company administers cashless exercises through an independent third party and does not repurchase stock in connection with cashless exercises.

(2) Average price paid per share for open market transactions excludes commission.

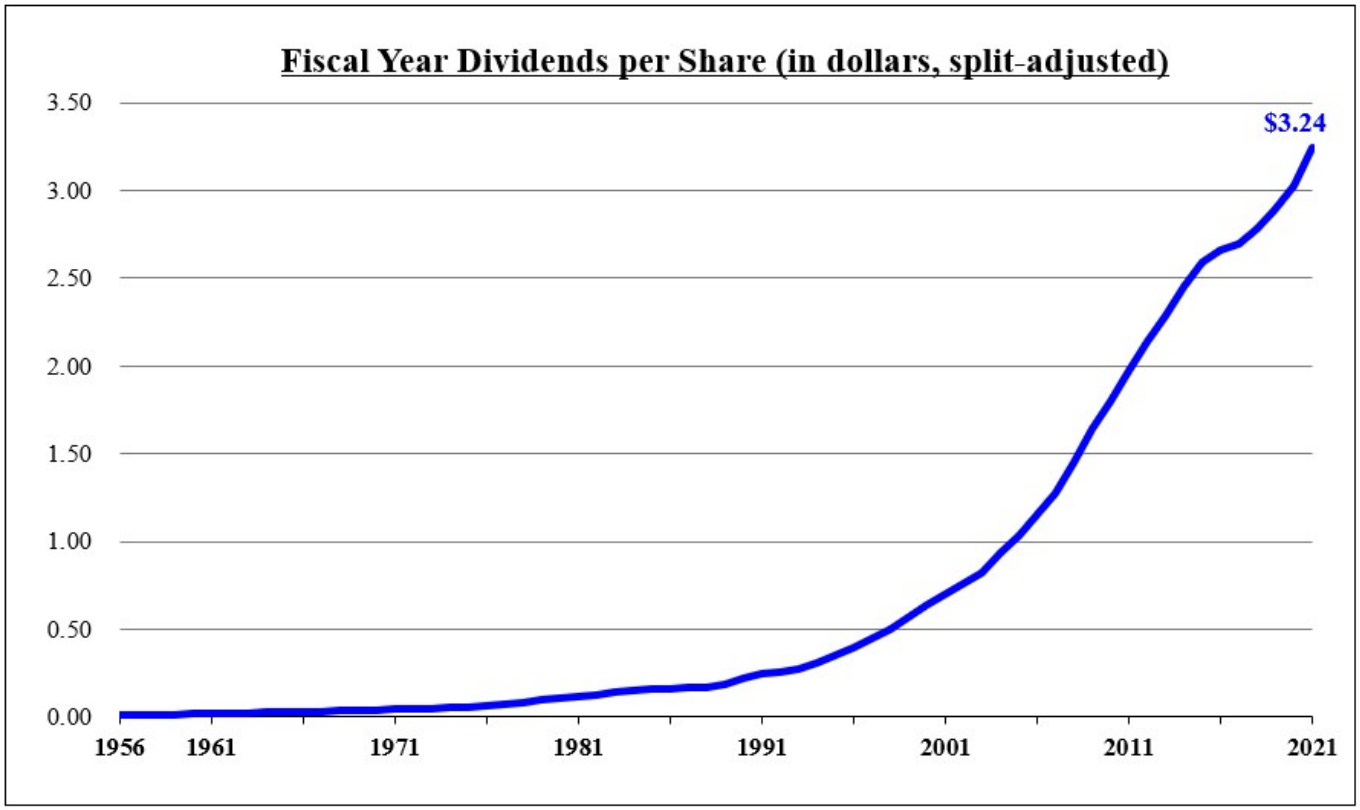
(3) On April 20, 2021, the Company stated that in fiscal year 2021 the Company expected to reduce outstanding shares through direct share repurchases at a value of approximately $11 billion, notwithstanding any purchases under the Company's compensation and benefit plans. The share repurchases were authorized pursuant to a resolution issued by the Company's Board of Directors and were financed through a combination of operating cash flows and issuance of long-term and short-term debt. The total value of the shares purchased under the share repurchase plan was $11 billion. The share repurchase plan ended on June 30, 2021.

Additional information required by this item can be found in Part III, Item 12 of this Form 10-K.

SHAREHOLDER RETURN PERFORMANCE GRAPHS

Market and Dividend Information

P&G has been paying a dividend for 131 consecutive years since its incorporation in 1890 and has increased its dividend for 65 consecutive years since 1956. Over the past ten years, the dividend has increased at an annual compound average rate of 5%. Nevertheless, as in the past, further dividends will be considered after reviewing dividend yields, profitability and cash flow expectations and financing needs and will be declared at the discretion of the Company's Board of Directors.



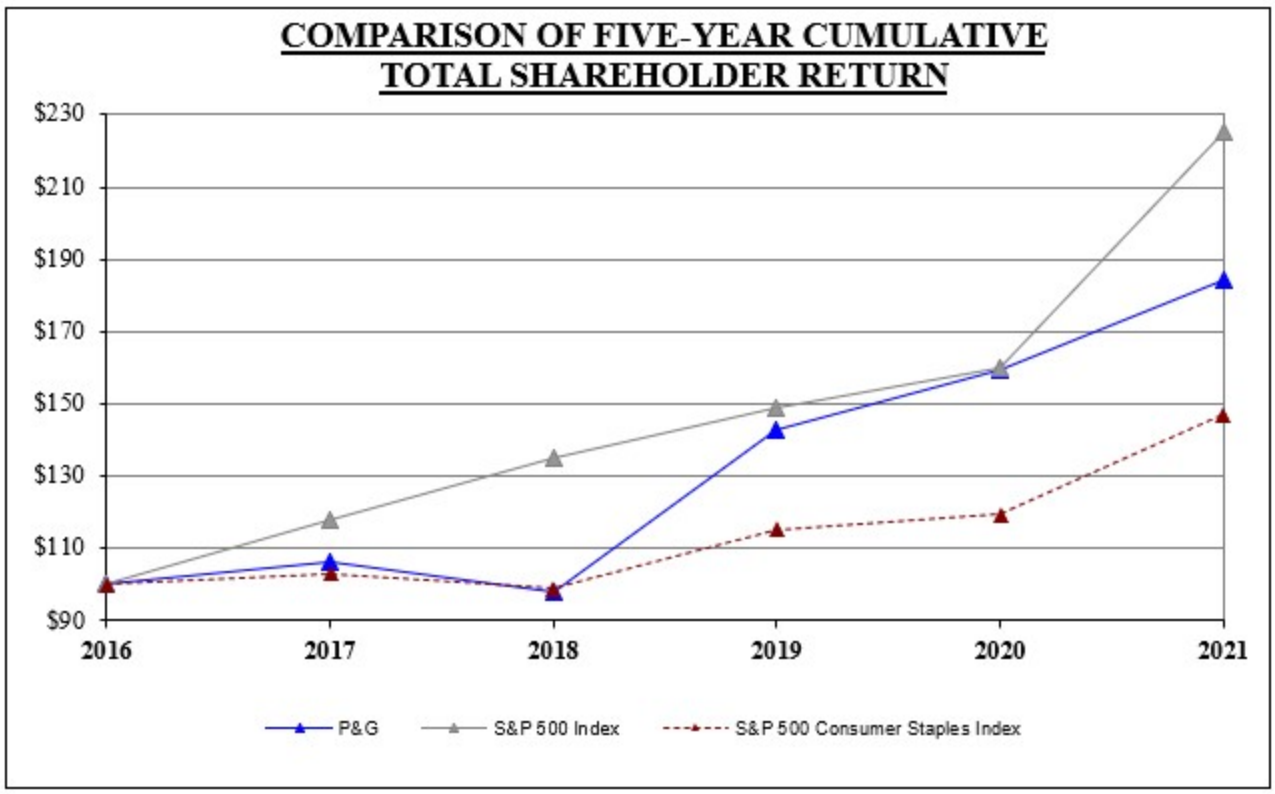
(in dollars; split-adjusted)	1956	1961	1971	1981	1991	2001	2011	2021
Dividends per share	$ 0.01	$ 0.02	$ 0.04	$ 0.12	$ 0.24	$ 0.70	$ 1.97	$ **3.24**

Common Stock Information

P&G trades on the New York Stock Exchange under the stock symbol PG. As of June 30, 2021, there were approximately 4 million common stock shareowners, including shareowners of record, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms.

Shareholder Return

The following graph compares the cumulative total return of P&G's common stock for the five-year period ended June 30, 2021, against the cumulative total return of the S&P 500 Stock Index (broad market comparison) and the S&P 500 Consumer Staples Index (line of business comparison). The graph and table assume $100 was invested on June 30, 2016, and that all dividends were reinvested.



	Cumulative Value of $100 Investment, through June 30					
Company Name/Index	2016	2017	2018	2019	2020	2021
P&G	$ 100	$ 106	$ 98	$ 143	$ 160	$ **184**
S&P 500 Stock Index	100	118	135	149	160	**225**
S&P 500 Consumer Staples Index	100	103	99	115	119	**147**

Item 6. Intentionally Omitted.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating 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. Forward-looking statements may appear throughout this report, including without limitation, the following sections: “Management's Discussion and Analysis,” “Risk Factors” and "Notes 4, 8 and 13 to the Consolidated Financial Statements." 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,” and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. 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.

Risks and uncertainties to which our forward-looking statements are subject include, without limitation: (1) the ability to successfully manage global financial risks, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility; (2) the ability to successfully manage local, regional or global economic volatility, including reduced market growth rates, and to generate sufficient income and cash flow to allow the Company to effect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or to our banking partners or changes to our credit rating; (4) the ability to maintain key manufacturing and supply arrangements (including execution of supply chain optimizations and sole supplier and sole manufacturing plant arrangements) and to manage disruption of business due to various factors, including ones outside of our control, such as natural disasters, acts of war or terrorism, or disease outbreaks; (5) the ability to successfully manage cost fluctuations and pressures, including prices of commodities and raw materials, and costs of labor, transportation, energy, pension and healthcare; (6) the ability to stay on the leading edge of innovation, obtain necessary intellectual property protections and successfully respond to changing consumer habits, evolving digital marketing and selling platform requirements, and technological advances attained by, and patents granted to, competitors; (7) the ability to compete with our local and global competitors in new and existing sales channels, including by successfully responding to competitive factors such as prices, promotional incentives and trade terms for products; (8) the ability to manage and maintain key customer relationships; (9) the ability to protect our reputation and brand equity by successfully managing real or perceived issues, including concerns about safety, quality, ingredients, efficacy, packaging content, supply chain practices, or similar matters that may arise; (10) the ability to successfully manage the financial, legal, reputational and operational risk associated with third-party relationships, such as our suppliers, contract manufacturers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third party information and operational technology systems, networks and services, and maintain the security and functionality of such systems, networks and services and the data contained therein; (12) the ability to successfully manage uncertainties related to changing political conditions and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage current and expanding regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, product and packaging composition, intellectual property, labor and employment, antitrust, privacy and data protection, tax, environmental, due diligence, risk oversight, and accounting and financial reporting) and to resolve new and pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations including maintaining our intended tax treatment of divestiture transactions; (15) the ability to successfully manage our ongoing acquisition, divestiture and joint venture activities, in each case to achieve the Company’s overall business strategy and financial objectives, without impacting the delivery of base business objectives; (16) the ability to successfully achieve productivity improvements and cost savings and manage ongoing organizational changes, while successfully identifying, developing and retaining key employees, including in key growth markets where the availability of skilled or experienced employees may be limited; and (17) the ability to successfully manage the demand, supply, and operational challenges associated with a disease outbreak, including epidemics, pandemics, or similar widespread public health concerns (including the COVID-19 outbreak). A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from those projected herein, is included in the section titled "Economic Conditions and Uncertainties" and the section titled "Risk Factors" (Part I, Item 1A) of this Form 10-K.

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of Procter & Gamble's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying Notes. The MD&A is organized in the following sections:

- Overview
- Summary of 2021 Results

- Economic Conditions and Uncertainties
- Results of Operations
- Segment Results
- Cash Flow, Financial Condition and Liquidity
- Significant Accounting Policies and Estimates
- Other Information

Throughout the MD&A we refer to measures used by management to evaluate performance, including unit volume growth, net sales, net earnings, diluted net earnings per share and operating cash flow. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), consisting of organic sales growth, core earnings per share (Core EPS), adjusted free cash flow and adjusted free cash flow productivity. Organic sales growth is net sales growth excluding the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. Core EPS is diluted net earnings per share from continuing operations excluding certain items that are not judged to be part of the Company's sustainable results or trends. Adjusted free cash flow is operating cash flow less capital spending, transitional tax payments related to the U.S. Tax Act and tax payments related to the Merck OTC consumer healthcare acquisition. Adjusted free cash flow productivity is the ratio of adjusted free cash flow to net earnings excluding certain one-time items. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. The explanation at the end of the MD&A provides more details on the use and the derivation of these measures, as well as reconciliations to the most directly comparable U.S. GAAP measures.

Management also uses certain market share and market consumption estimates to evaluate performance relative to competition despite some limitations on the availability and comparability of share and consumption information. References to market share and consumption in the MD&A are based on a combination of vendor purchased traditional brick-and-mortar and online data in key markets as well as internal estimates. All market share references represent the percentage of sales of our products in dollar terms on a constant currency basis, relative to all product sales in the category. The Company measures quarter and fiscal-year-to-date market shares through the most recent period for which market share data is available, which typically reflects a lag time of one or two months as compared to the end of the reporting period. Management also uses unit volume growth to evaluate and explain drivers of changes in net sales. Organic volume growth reflects year-over-year changes in unit volume excluding the impacts of acquisitions and divestitures and certain one-time items, if applicable, and is used to explain changes in organic sales.

OVERVIEW

Procter & Gamble is a global leader in the fast-moving consumer goods industry, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to consumers. We have on-the-ground operations in approximately 70 countries.

Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products, as well as retailers' private-label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We believe we are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

Organizational Structure

Our organizational structure is comprised of Sector Business Units (SBUs), Enterprise Markets (EMs), Corporate Functions (CF) and Global Business Services (GBS).

Sector Business Units

The Company's ten product categories are organized into six SBUs. The SBUs are responsible for global brand strategy, new product upgrades and innovation, marketing plans and supply chain. They have direct profit responsibility for markets representing the large majority of the Company's sales and earnings (referred to as Focus Markets) and are responsible for innovation plans, supply plans and operating frameworks to drive growth and value creation in the remaining markets (referred to as Enterprise Markets). Effective September 2021, the Company will be organized into five SBUs as Baby and Feminine Care will combine with Family Care into one SBU to leverage organizational and business synergies. Under U.S. GAAP, the categories underlying the SBUs are, and will continue to be, aggregated into five reportable segments: Beauty; Grooming; Health Care; Fabric & Home Care; and Baby, Feminine & Family Care. Throughout the MD&A, we reference business results by region, which are comprised of North America, Europe, Greater China, Latin America, Asia Pacific and India, Middle East and Africa (IMEA). The following provides additional detail on our reportable segments and the ten product categories and brand composition within each segment.

Reportable Segments	% of Net Sales [1]	% of Net Earnings [1]	Product Categories (Sub-Categories)	Major Brands
Beauty	19%	22%	Hair Care (*Conditioner, Shampoo, Styling Aids, Treatments*)	Head & Shoulders, Herbal Essences, Pantene, Rejoice
			Skin and Personal Care (*Antiperspirant and Deodorant, Personal Cleansing, Skin Care*)	Olay, Old Spice, Safeguard, Secret, SK-II
Grooming	9%	10%	Grooming [2] (Shave Care - *Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care;* Appliances)	Braun, Gillette, Venus
Health Care	13%	12%	Oral Care (*Toothbrushes, Toothpaste, Other Oral Care*)	Crest, Oral-B
			Personal Health Care (*Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Pain Relief, Other Personal Health Care*)	Metamucil, Neurobion, Pepto-Bismol, Vicks
Fabric & Home Care	34%	31%	Fabric Care (*Fabric Enhancers, Laundry Additives, Laundry Detergents*)	Ariel, Downy, Gain, Tide
			Home Care (*Air Care, Dish Care, P&G Professional, Surface Care*)	Cascade, Dawn, Fairy, Febreze, Mr. Clean, Swiffer
Baby, Feminine & Family Care	25%	25%	Baby Care (*Baby Wipes, Taped Diapers and Pants*)	Luvs, Pampers
			Feminine Care (*Adult Incontinence, Feminine Care*)	Always, Always Discreet, Tampax
			Family Care (*Paper Towels, Tissues, Toilet Paper*)	Bounty, Charmin, Puffs

[1] Percent of Net sales and Net earnings for the year ended June 30, 2021 (excluding results held in Corporate).
[2] The Grooming product category is comprised of the Shave Care and Appliances operating segments.

Recent Developments:

During fiscal 2019, the Company completed the acquisition of the over-the-counter (OTC) healthcare business of Merck KGaA (Merck OTC) for approximately $3.7 billion. This business primarily sells OTC consumer healthcare products, mainly in markets in Europe, Latin America and Asia and is included within our personal health care category.

During fiscal 2019, the Company also dissolved our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceutical Industries, Ltd (Teva) in the OTC consumer healthcare business. Pursuant to the agreement, PGT product assets were returned to the original respective parent companies to reestablish independent OTC businesses. This transaction was accounted for as a sale of the Teva portion of the PGT business. The Company recorded an after-tax gain on the sale of $353 million.

Organization Design:

Sector Business Units

Beauty: We are a global market leader amongst the beauty categories in which we compete, including hair care and skin and personal care. We are the global market leader in the retail hair care market with over 20% global market share primarily behind our Pantene and Head & Shoulders brands. In skin and personal care, we offer a wide variety of products, ranging from deodorants to personal cleansing to skin care, such as our Olay brand, which is one of the top facial skin care brands in the world with approximately 6% global market share.

Grooming: We compete in shave care and appliances. In shave care, we are the global market leader in the blades and

razors market. Our global blades and razors market share is over 60%, primarily behind our Gillette and Venus brands. Our appliances, such as electric shavers and epilators, are sold primarily under the Braun brand in a number of markets around the world where we compete against both global and regional competitors. We hold over 25% of the male electric shavers market and over 50% of the female epilators market.

Health Care: We compete in oral care and personal health care. In oral care, there are several global competitors in the market and we have the number two market share position with nearly 20% global market share behind our Crest and Oral-B brands. In personal health care, we are a top ten competitor in a large, highly fragmented industry, primarily behind respiratory treatments (Vicks brand) and digestive wellness products (Metamucil and Pepto Bismol brands). As discussed earlier, in fiscal 2019, we dissolved the PGT Healthcare partnership with Teva, and reestablished an independent OTC business. We also acquired Merck OTC as discussed above.

Fabric & Home Care: This segment is comprised of a variety of fabric care products, including laundry detergents, additives and fabric enhancers; and home care products, including dishwashing liquids and detergents, surface cleaners and air fresheners. In fabric care, we generally have the number one or number two market share position in the markets in which we compete and are the global market leader with over 25% global market share, primarily behind our Tide, Ariel and Downy brands. Our global home care market share is nearly 25% across the categories in which we compete, primarily behind our Cascade, Dawn, Febreze and Swiffer brands.

Baby, Feminine & Family Care: In baby care, we are the global market leader and compete mainly in taped diapers, pants and baby wipes with over 20% global market share. We have the number one or number two market share position in most of the key markets in which we compete, primarily behind Pampers, the Company's largest brand, with annual net sales of over $7 billion. We are the global market leader in the feminine care category with 25% global market share, primarily behind our Always and Tampax brands. We also compete in the adult incontinence category in certain markets behind Always Discreet, with nearly 10% market share in the key markets in which we compete. Our family care business is predominantly a North American business comprised primarily of the Bounty paper towel and Charmin toilet paper brands. North America market shares are over 40% for Bounty and approximately 25% for Charmin.

Enterprise Markets

Enterprise Markets are responsible for sales and profit delivery in specific countries, supported by SBU-agreed innovation and supply chain plans, along with scaled services like planning, distribution and customer management.

Corporate Functions

Corporate Functions provides company-level strategy and portfolio analysis, corporate accounting, treasury, tax, external relations, governance, human resources and legal services.

Global Business Services

Global Business Services provides technology, processes and standard data tools to enable the SBUs, the EMs and CF to better understand the business and better serve consumers and customers. The GBS organization is responsible for providing world-class solutions at a low cost and with minimal capital investment.

Strategic Focus

Procter & Gamble aspires to serve the world's consumers better than our best competitors in every category and in every country in which we compete and, as a result, deliver total shareholder return in the top one-third of our peer group. Delivering and sustaining leadership levels of shareholder value creation requires balanced top- and bottom-line growth and strong cash generation.

The Company has undertaken an effort to focus and strengthen its business portfolio to compete in categories and with brands that are structurally attractive and that play to P&G's strengths. Our portfolio of businesses consists of ten product categories where P&G has leading market positions, strong brands and consumer-meaningful product technologies.

Within these categories, our strategic choices are focused on winning with consumers. The consumers who purchase and use our products are at the center of everything we do. We win with consumers by delivering superiority across the five key elements of product, packaging, brand communication, retail execution and value equation. Winning with consumers around the world and against our best competitors requires innovation. Innovation has always been, and continues to be, P&G's lifeblood. Innovation requires consumer insights and technology advancements that lead to product improvements, improved marketing and merchandising programs and game-changing inventions that create new brands and categories.

Productivity improvement is critical to delivering our balanced top- and bottom-line growth, cash generation and value creation objectives. Productivity improvement and sales growth reinforce and fuel each other. Our objective is to drive productivity improvement across all elements of cost, including cost of goods sold, marketing and promotional spending and overhead costs. We plan to use productivity improvements and cost savings to help offset cost increases (including commodity and foreign exchange impacts), reinvest in product and packaging improvements, brand awareness-building advertising and trial-building sampling programs, increased sales coverage and R&D programs as well as to improve operating margins.

We are constructively disrupting our industry and the way we do business, including how we innovate, communicate and leverage new technologies, to create more value.

We are improving operational effectiveness and organizational culture through enhanced clarity of roles and

responsibilities, accountability and incentive compensation programs.

We believe these strategies are right for the long-term health of the Company and our objective of delivering total shareholder return in the top one-third of our peer group.

The Company expects the delivery of the following long-term annual financial targets will result in total shareholder returns in the top third of the competitive, fast-moving consumer goods peer group:

- Organic sales growth above market growth rates in the categories and geographies in which we compete;
- Core earnings per share (EPS) growth of mid-to-high single digits; and
- Adjusted free cash flow productivity of 90% or greater.

In periods with significant macroeconomic pressures, such as the current COVID-19 pandemic, we intend to maintain a disciplined approach to investing so as not to sacrifice the long-term health of our businesses to meet short-term objectives in any given year.

SUMMARY OF 2021 RESULTS

Amounts in millions, except per share amounts	2021	2020	Change vs. Prior Year
Net sales	**$ 76,118**	$ 70,950	7 %
Operating income	**17,986**	15,706	15 %
Net earnings	**14,352**	13,103	10 %
Net earnings attributable to Procter & Gamble	**14,306**	13,027	10 %
Diluted net earnings per common share	**5.50**	4.96	11 %
Core earnings per share	**5.66**	5.12	11 %
Cash flow from operating activities	**18,371**	17,403	6 %

- Net sales increased 7% to $76.1 billion on a 3% increase in unit volume. Favorable foreign exchange had a positive 1% impact on net sales. Net sales growth was driven by double digit increases in Health Care and in Fabric & Home Care, a high single digit increase in Beauty, a mid-single digit increase in Grooming and a low single digit increase in Baby, Feminine & Family Care. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, increased 6% on a 3% increase in organic volume. Organic sales increased high single digits in Health Care and in Fabric & Home Care, increased mid-single digits in Beauty and in Grooming and increased low single digits in Baby, Feminine & Family Care.
- Operating income increased $2.3 billion, or 15% versus year ago to $18.0 billion, driven by the net sales increase and an increase in operating margin.
- Net earnings increased $1.2 billion or 10% versus year ago to $14.4 billion, due to the increase in operating income, partially offset by current year charges of $427 million after tax for the early extinguishment of debt and an increase in the current year effective tax rate. Foreign exchange impacts negatively affected net earnings by approximately $108 million.
- Net earnings attributable to Procter & Gamble were $14.3 billion, an increase of $1.3 billion or 10% versus the prior year primarily due to the increase in net earnings.
- Diluted net earnings per share (EPS) increased 11% to $5.50 due to the increase in net earnings and a reduction in shares outstanding.
  - Core EPS, which represents net earnings per share excluding charges for the early extinguishment of debt in the current period and incremental restructuring charges in the base period, increased 11% to $5.66.
- Cash flow from operating activities was $18.4 billion.
  - Adjusted free cash flow, which is operating cash flow less capital expenditures and certain other impacts, was $15.8 billion.
  - Adjusted free cash flow productivity, which is the ratio of adjusted free cash flow to net earnings, excluding the charges for early debt extinguishment, was 107%.

ECONOMIC CONDITIONS AND UNCERTAINTIES

We discuss expectations regarding future performance, events and outcomes, such as our business outlook and objectives, in annual and quarterly reports, press releases and other written and oral communications. All such statements, except for historical and present factual information, are "forward-looking statements" and are based on financial data and our business plans available only as of the time the statements are made, which may become out-of-date or incomplete. We assume no obligation to update any forward-looking statements as a result of new information, future events or other factors, except as required by law. Forward-looking statements are inherently uncertain and investors must recognize that events could be significantly different from our expectations. For more information on risk factors that could impact our results, please refer to "Risk Factors" in Part I, Item 1A of this Form 10-K.

Global Economic Conditions. Our products are sold in numerous countries across North America, Europe, Latin America, Asia and Africa, with more than half our sales generated outside the United States. As such, we are exposed to and impacted by global macroeconomic factors, U.S. and foreign government policies and foreign exchange fluctuations. Current global economic conditions continue to be highly volatile due to the COVID-19 pandemic, resulting in market size contractions in certain countries due to economic slowdowns and government restrictions on movement. Other macroeconomic factors also remain dynamic, and any causes of market size contraction, such as greater political unrest or instability in the Middle East, Central & Eastern Europe, certain Latin American markets and the Hong Kong market in Greater China, could reduce our sales or erode our operating margin, in either case reducing our net earnings and cash flows.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs and our own productivity efforts. We have significant exposures to certain commodities, in particular certain oil-derived materials like resins and paper-based materials like pulp, and volatility in the market price of these commodity input materials has a direct impact on our costs. Disruptions in our manufacturing, supply and distribution operations, including freight container and truck availabilities, due to the COVID-19 pandemic may also impact our costs. If we are unable to manage these impacts through pricing actions, cost savings projects and sourcing decisions, as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin, net earnings and cash flows. Net sales could also be adversely impacted following pricing actions if there is a negative impact on the consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. If we are not successful in executing and sustaining these changes, there could be a negative impact on our gross margin, operating margin, net earnings and cash flows.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. In the past three fiscal years, a number of foreign currencies have weakened versus the U.S. dollar, leading to lower earnings from these foreign exchange impacts. In the current fiscal year, foreign exchange impacts have benefited net sales while negatively impacting earnings due to the mix of currencies in which input costs are denominated. Certain countries currently experiencing significant exchange rate fluctuations include Argentina, Brazil, Russia, Turkey as well as the European Union. These fluctuations have significantly impacted our historical net sales, costs and net earnings and could do so in the future. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on the consumption of our products, which would affect our net sales, gross margin, operating margin, net earnings and cash flows.

Government Policies. Our net earnings and cash flows could be affected by changes in U.S. or foreign government legislative, regulatory or enforcement policies. For example, any future legislative or regulatory changes in U.S. or non-U.S. tax policy, or any significant change in global tax policy adopted under the current work being led by the OECD for the G20 focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of the OECD project extends beyond pure digital businesses and is likely to impact all multinational businesses by redefining jurisdictional taxation rights. Our net sales, gross margin, operating margin, net earnings and cash flows may also be impacted by changes in U.S. and foreign government policies related to environmental and climate change matters. Additionally, we attempt to carefully manage our debt, currency and other exposures in certain countries with currency exchange, import authorization and pricing controls, such as Nigeria, Algeria, Egypt, Argentina and Turkey. Further, our net sales, gross margin, operating margin, net earnings and cash flows could be affected by changes to international trade agreements in North America and elsewhere, including any changes related to the United Kingdom's exit from the European Union. Changes in government policies in these areas might cause an increase or decrease in our net sales, gross margin, operating margin, net earnings and cash flows.

COVID-19 Pandemic Disclosures. Our net sales, net earnings and cash flows may be impacted by the U.S. and foreign government policies to manage the COVID-19 pandemic, such as movement restrictions or site closures. The Company's priorities during the COVID-19 pandemic continue to be protecting the health and safety of our

employees; maximizing the availability of products that help consumers with their health, hygiene and cleaning needs; and using our employees' talents and our resources to help society meet and overcome the current challenges. Because the Company sells products that are essential to the daily lives of consumers, the COVID-19 pandemic has not had a materially negative impact to our consolidated net sales as positive and negative impacts during fiscal 2021 have largely offset each other. We have experienced a significant increase in demand and consumption of certain of our product categories (fabric, home cleaning and hygiene products) primarily in North America, caused in part by changing consumer habits, pantry stocking and retailer inventory replenishment, due to the COVID-19 pandemic, contributing to increases in net sales. At the same time, net sales have been negatively impacted due to the economic slowdown and restricted consumer movements in certain markets in Asia Pacific and Europe, in certain channels, such as professional and in certain categories, such as shave care. In the future, the pandemic may cause reduced demand for our products if it results in a recessionary global economic environment. Demand in certain countries in Latin America, Asia Pacific, and IMEA may be particularly susceptible to recession. It could also lead to volatility in consumer access to our products due to government actions impacting our ability to produce and ship products or impacting consumers' movements and access to our products. The resumption of normal economic activity as we emerge from the pandemic in certain markets, including North America, could also result in reduced demand due to consumption decreases and consumer pantry destocking (particularly, in home cleaning and hygiene products). We believe that over the long term, there will continue to be strong demand for categories in which we operate, particularly our products that deliver essential health, hygiene and cleaning benefits. However, the timing and extent of demand recovery in certain markets in Asia Pacific, IMEA and Latin America, the resumption of international travel, the timing and impact of potential consumer pantry destocking and product demand volatility caused by future economic trends are unclear. Accordingly, there may be heightened volatility in net sales, net earnings and cash flows during and subsequent to the duration of the pandemic. Our retail customers are also being impacted by the pandemic. Their success in addressing the issues and maintaining their operations could impact consumer access to and, as a result, sales of our products.

Our ability to continue to operate without any significant negative impacts will in part depend on our ability to protect our employees and our supply chain. The Company has endeavored to follow actions recommended by governments and health authorities, including on vaccine administration, to protect our employees worldwide, with particular measures in place for those working in our plants and distribution facilities. We have also worked closely with local and national officials to keep our manufacturing facilities open due to the essential nature of the majority of our products. While we have been able to broadly maintain our operations, we experienced some disruption in our supply chain in certain markets in Asia Pacific and IMEA in the first months of the pandemic due primarily to the restriction of employee movements, as well as increased transportation and manufacturing costs. We intend to continue to work with government authorities and implement our employee safety measures to ensure that we continue manufacturing and distributing our products during the pandemic. However, uncertainty resulting from the pandemic could result in an unforeseen disruption to our supply chain (for example, a closure of a key manufacturing or distribution facility or the inability of a key material or transportation supplier to source and transport materials) that could impact our operations.

Because the pandemic has not had a material negative impact on our operations, on the demand for our products or the resulting net sales and net earnings, it has also not negatively impacted the Company's liquidity position. We continue to generate operating cash flows to meet our short-term liquidity needs, and we continue to maintain access to the capital markets enabled by our strong short- and long-term credit ratings. We have also not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

For additional information on risk factors that could impact our results, please refer to "Risk Factors" in Part I, Item 1A of this Form 10-K.

RESULTS OF OPERATIONS

The key metrics included in the discussion of our consolidated results of operations include net sales, gross margin, selling, general and administrative costs (SG&A), operating margin, other non-operating items, income taxes and net earnings. The primary factors driving year-over-year changes in net sales include overall market growth in the categories in which we compete, product initiatives, competitive activities (the level of initiatives, pricing and other activities by competitors), marketing spending, retail executions (both in-store and online), and acquisition and divestiture activity, all of which drive changes in our underlying unit volume, as well as our pricing actions (which can also impact volume), changes in product and geographic mix and foreign currency impacts on sales outside the U.S.

Most of our cost of products sold and SG&A are to some extent variable in nature. Accordingly, our discussion of these operating costs focuses primarily on relative margins rather than the absolute year-over-year changes in total costs. The primary drivers of changes in gross margin are input costs (energy and other commodities), pricing impacts, geographic mix (for example, gross margins in North America are generally higher than the Company average for similar products), product mix (for example, the Beauty segment has higher gross margins than the Company average), foreign exchange rate fluctuations (in situations where certain input costs may be tied to a different functional currency than the underlying sales), the impacts of manufacturing savings projects and reinvestments (for example, product or package improvements) and to a lesser

extent scale impacts (for costs that are fixed or less variable in nature). The primary components of SG&A are marketing-related costs and non-manufacturing overhead costs. Marketing-related costs are primarily variable in nature, although we may achieve some level of scale benefit over time due to overall growth and other marketing efficiencies. While overhead costs are variable to some extent, we generally experience more scale-related impacts for these costs due to our ability to leverage our organization and systems' infrastructures to support business growth. The main drivers of changes in SG&A as a percentage of net sales are overhead and marketing cost savings, reinvestments (for example, increased advertising), inflation, foreign exchange fluctuations and scale impacts.

For a detailed discussion of the fiscal 2020 year-over-year changes, please refer to the MD&A in Part II, Item 7 of the Company's Form 10-K/A for the fiscal year ended June 30, 2020.

Net Sales

Net sales increased 7% to $76.1 billion in fiscal 2021 on a 3% increase in unit volume versus the prior year. Favorable foreign exchange increased net sales by 1%. Favorable pricing had a 1% positive impact on net sales. Mix had a positive 2% impact on net sales driven by the disproportionate growth of the North America region, the Health Care segment and the Home Care and Appliances categories, all of which have higher than company-average selling prices. Excluding the net impacts of foreign exchange and acquisitions and divestitures, organic sales grew 6% on a 3% increase in organic volume. Net sales increased double digits in Health Care and Fabric & Home Care, increased high single digits in Beauty, increased mid-single digits in Grooming and increased low single digits in Baby, Feminine & Family Care. Organic sales grew high single digits in Health Care and Fabric & Home Care.

On a regional basis, volume increased high single digits in Greater China, increased mid-single digits in North America and IMEA and increased low single digits in Latin America due to innovation, market growth and increased demand, particularly in household cleaning and personal hygiene products. This was partially driven by increased consumption and retailer inventory restocking due to the COVID-19 pandemic. Volume in Europe was unchanged and decreased low single digits in Asia Pacific due to pandemic-related market contraction. Excluding the impact of a minor brand divestiture, organic volume in Europe increased low single digits.

Operating Costs

Comparisons as a percentage of net sales; Years ended June 30	2021	2020	Basis Point Change
Gross margin	**51.2 %**	50.3 %	90
Selling, general and administrative expense	**27.6 %**	28.2 %	(60)
Operating margin	**23.6 %**	22.1 %	150
Earnings before income taxes	**23.1 %**	22.3 %	80
Net earnings	**18.9 %**	18.5 %	40
Net earnings attributable to Procter & Gamble	**18.8 %**	18.4 %	40

Gross margin increased 90 basis points to 51.2% of net sales in fiscal 2021. Gross margin benefited from:

- 120 basis points from total manufacturing cost savings, net of freight cost increases (100 basis points after including product and packaging reinvestments),
- 70 basis points of help from lower restructuring costs versus the base period, and
- 60 basis points of positive pricing impacts.

These benefits were offset by an 80 basis-point negative impact from unfavorable product mix (due to the disproportionate growth of the Home Care and Appliances categories which have lower than company-average gross margin and mix within segments due to the growth of lower margin product forms and larger sizes in certain categories), a 40 basis-point negative impact from unfavorable foreign exchange rates and a 20 basis-point negative impact from higher commodity costs.

Total SG&A increased 5% to $21.0 billion, primarily due to an increase in marketing spending and, to a lesser extent, an increase in overhead costs. SG&A as a percentage of net sales decreased 60 basis points to 27.6% due to a decrease in overhead costs and other operating expenses as a percentage of net sales.

- Marketing spending as a percentage of net sales was unchanged, as investments in media and other marketing spending were offset by the positive scale impacts of the net sales increase and savings in agency compensation and production costs.
- Overhead costs as a percentage of net sales decreased 40 basis points due to the positive scale impacts of the net sales increase and productivity savings, partially offset by inflation and other cost increases.
- Other net operating expenses as a percentage of net sales decreased 20 basis points primarily due to a reduction in foreign exchange transactional charges.

Productivity-driven cost savings delivered 110 basis points of benefit to SG&A as a percentage of net sales.

Operating margin increased 150 basis points to 23.6% for fiscal 2021 due to both the increase in gross margin and the decrease in SG&A as a percentage of net sales as discussed above.

Non-Operating Items

- Interest expense was $502 million in fiscal 2021, an increase of $37 million versus the prior year due to higher average interest rates for the fiscal year driven by a higher proportion of fixed rate debt.
- Interest income was $45 million in fiscal 2021, a reduction of $110 million versus the prior year due to lower U.S. interest rates.
- Other non-operating income, which consists primarily of divestiture gains and other non-operating items decreased $352 million to $86 million, primarily due to current period charges of $512 million ($427 million after tax) for the early debt extinguishment. Excluding the debt extinguishment charges, other non-operating income increased $160 million primarily due to an unrealized gain on an equity investment that became publicly traded in fiscal 2021 and an increase in net non-operating benefits on defined benefit retirement plans driven by annual updates to actuarial assumptions.

Income Taxes

Income taxes increased to $3.3 billion due to increased earnings and an increase in the effective tax rate. The effective tax rate increased 130 basis points to 18.5% in 2021 due to:

- a 135 basis-point increase related to the prior year tax benefit arising from transactions to simplify our legal entity structure, and
- a 15 basis-point increase from unfavorable impacts from the geographic mix of current year earnings.

These increases are partially offset by:

- a 20 basis-point decrease from discrete impacts related to uncertain tax positions (5 basis-point favorable impact in the current year versus a 15 basis-point unfavorable impact in the prior year period).

Net Earnings

Operating income increased 15%, or $2.3 billion, to $18.0 billion due to the net sales increase and the increase in operating margin, both of which are discussed above.

Earnings before income taxes increased 11%, or $1.8 billion, to $17.6 billion, as the increase in operating income was partially offset by the current period charges of $512 million for the early extinguishment of debt. Net earnings increased 10%, or $1.2 billion, to $14.4 billion due to the increase in earnings before income taxes, partially offset by the increase in the effective income tax rate discussed above. Foreign exchange impacts reduced net earnings by approximately $108 million in fiscal 2021 due to a weakening of certain currencies against the U.S. dollar. This impact includes both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars.

Net earnings attributable to Procter & Gamble increased $1.3 billion, or 10%, to $14.3 billion.

Diluted net EPS increased $0.54, or 11%, to $5.50 due primarily to the increase in net earnings and, to a lesser extent, a reduction in shares outstanding.

Core EPS increased 11% to $5.66. Core EPS represents diluted net EPS from continuing operations excluding the current year charge for the early debt extinguishment and incremental restructuring charges in the base year related to our productivity and cost savings plans. The increase was primarily driven by the increase in net sales and the increase in operating margin, both of which are discussed above.

SEGMENT RESULTS

Segment results reflect information on the same basis we use for internal management reporting and performance evaluation. The results of these reportable segments do not include certain non-business unit specific costs which are reported in our Corporate segment and are included as part of our Corporate segment discussion. Additionally, we apply blended statutory tax rates in the segments. Eliminations to adjust segment results to arrive at our consolidated effective tax rate are included in Corporate. See Note 2 to the Consolidated Financial Statements for additional information on items included in the Corporate segment.

	Net Sales Change Drivers 2021 vs. 2020 [1]						
	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	3 %	3 %	2 %	2 %	1 %	— %	8 %
Grooming	3 %	3 %	— %	2 %	1 %	— %	6 %
Health Care	6 %	6 %	1 %	1 %	2 %	— %	10 %
Fabric & Home Care	5 %	5 %	1 %	1 %	3 %	— %	10 %
Baby, Feminine & Family Care	— %	— %	1 %	1 %	1 %	— %	3 %
TOTAL COMPANY	**3 %**	**3 %**	**1 %**	**1 %**	**2 %**	**— %**	**7 %**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.

(2) Other includes the sales mix impact from acquisitions and divestitures and rounding impacts necessary to reconcile volume to net sales.

BEAUTY

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	3%
Net sales	**$14,417**	$13,359	8%
Net earnings	**$3,210**	$2,737	17%
% of net sales	**22.3%**	20.5%	180 bps

Beauty net sales increased 8% to $14.4 billion in fiscal 2021 on a 3% increase in unit volume. Favorable foreign exchange impacts increased net sales by 2%. Higher pricing increased net sales by 2%. Favorable product mix added 1% to net sales due to the disproportionate growth of the SK-II brand, which has higher than segment-average selling prices. Organic sales increased 6% on a 3% increase in organic volume. Global market share of the Beauty segment decreased 0.4 points.

- Hair Care net sales increased mid-single digits due to a low single digit increase in volume and increased pricing. Organic sales also increased mid-single digits. Volume growth was driven by a double digit increase in Greater China (due to market growth and increased distribution), a high single digit increase in IMEA (due to innovation and the low base period due to pandemic-related shutdowns) and a mid-single digit increase in Latin America (due to product innovation), partially offset by a low single digit decrease in Europe due to pandemic-related category declines in certain markets. Global market share of the hair care category was unchanged.
- Skin and Personal Care net sales increased high single digits due to a low single digit volume increase, favorable mix due to the disproportionate growth of the super premium SK-II brand, increased pricing and favorable foreign exchange impacts. Organic sales also increased high single digits. Volume increased double digits in Greater China and increased low single digits in North America driven by increased consumption of personal care products due to the pandemic. This volume growth was partially offset by a double digit decrease in IMEA and a low single digit decrease in Asia Pacific due to pandemic-related market contractions. Global market share of the skin and personal care category decreased nearly half a point.

Net earnings increased 17% to $3.2 billion in fiscal 2021 due to the increase in net sales and a 180 basis-point increase in net earnings margin. Net earnings margin increased due to an increase in gross margin and a decrease in SG&A as a percentage of net sales. The gross margin increase was mainly driven by manufacturing cost savings and increased selling prices, partially offset by the negative impacts of unfavorable mix (due to the decline of the skin care category which has higher than segment-average margins and to a lesser extent the disproportionate growth of Latin America and IMEA, which have lower than segment-average margins) and increased commodity costs. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase.

GROOMING

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	3%
Net sales	**$6,440**	$6,069	6%
Net earnings	**$1,427**	$1,329	7%
% of net sales	**22.2%**	21.9%	30 bps

Grooming net sales increased 6% to $6.4 billion in fiscal 2021 on a 3% increase in unit volume. Increased pricing had a 2% positive impact to net sales. Favorable mix had a 1% positive impact to net sales due to the disproportionate growth of the Appliances category, which has higher than segment-average selling prices. Foreign exchange had no net impact on net sales. Organic sales also increased 6%. Global market share of the Grooming segment decreased 0.6 points.

- Shave Care net sales increased low single digits driven by a low single digit increase in volume and increased pricing, partially offset by unfavorable mix impacts due to the disproportionate growth of lower priced products in IMEA and Latin America. Organic sales also increased low single digits. The volume increase was driven by a mid-teens increase in IMEA (due to innovation and a low base period due to pandemic-related shutdowns), a high single digit increase in Greater China (due to innovation and market growth) and low-single digit increases in Latin America (due to innovation and distribution increases in certain markets) and in North America (due to innovation and a lower base period due to pandemic-related consumption declines), partially offset by a mid-single digit decline in Asia Pacific and a low single digit decline in Europe due to pandemic-related consumption declines. Global market share of the shave care category was unchanged.
- Appliances net sales increased more than 20% primarily due to a high teens increase in volume, favorable foreign exchange impacts, favorable mix impact due to the disproportionate growth of premium shaver and styling products and increased pricing. Organic sales also increased more than 20%. Volume increased in all regions led by high teen increases in Europe and Greater China and double digit increases in North America and Asia Pacific, all driven by innovation and increased consumption of at-home grooming and styling products due to the pandemic. Global market share of the appliances category increased more than a point.

Net earnings increased 7% to $1.4 billion in fiscal 2021 due to the increase in net sales and a 30 basis-point increase in net earnings margin. Net earnings margin increased due to a decrease in SG&A as a percentage of net sales partially offset by a decrease in gross margin. Gross margin decreased due to the negative impact of unfavorable mix (due to the disproportionate growth of the appliances category and the IMEA region, both of which have lower than segment-average margins) and unfavorable foreign exchange impacts, partially offset by the positive impacts of manufacturing cost savings and increased selling prices. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase and reductions in overhead costs due to productivity savings, partially offset by the impact of a favorable legal settlement in the base period.

HEALTH CARE

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	6%
Net sales	**$9,956**	$9,028	10%
Net earnings	**$1,851**	$1,652	12%
% of net sales	**18.6%**	18.3%	30 bps

Health Care net sales increased 10% to $10.0 billion in fiscal 2021 on a 6% increase in unit volume. Favorable foreign exchange impacts increased net sales by 1%. Favorable product mix increased net sales by 2% due to the disproportionate growth of premium power brush and paste products. Increased pricing had a 1% positive impact on net sales. Organic sales increased 9%. Global market share of the Health Care segment increased 1.8 points.

- Oral Care net sales increased double digits driven by a high-single digit volume increase, favorable mix impacts from the disproportionate growth of premium power brush and paste products, favorable foreign exchange impacts and increased pricing. Organic sales also increased double digits. Volume increased in all regions led by around 20% growth in IMEA, high single digit growth in North America, mid-single digits growth in Greater China and in Asia Pacific and low single digit growth in Europe due to product innovation, increased marketing spending and a low base period in certain markets due to pandemic-related shutdowns. Global market share of the oral care category increased more than a point.
- Personal Health Care net sales increased mid-single digits driven by a mid-single digit increase in volume and increased pricing. Organic sales also increased mid-single digits. Volume increased mid-teens in Asia Pacific, increased double digits in Latin America and in IMEA, and increased mid-single digits in North America due to product innovation, increased marketing spending and increased consumption of certain health care products including supplements and pain relief. Global market share of the personal health care category increased more than a point.

Net earnings increased 12% to $1.9 billion in fiscal 2021 due to the increase in net sales and a 30 basis-point increase in net earnings margin. Net earnings margin increased due a decrease in SG&A as a percentage of net sales partially offset by a decrease in gross margin. Gross margin decreased due to unfavorable mix impacts (due to the decline of higher-margin respiratory products and the disproportionate growth of oral care category, which has lower than segment-average margins) and unfavorable foreign exchange impacts, partially offset by manufacturing cost savings and increased selling prices. SG&A as a percentage of net sales decreased primarily due to the positive scale impacts of the net sales increase, partially offset by increased marketing spending.

FABRIC & HOME CARE

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	5%
Net sales	**$26,014**	$23,735	10%
Net earnings	**$4,622**	$4,154	11%
% of net sales	**17.8%**	17.5%	30 bps

Fabric & Home Care net sales increased 10% to $26.0 billion in fiscal 2021 on a 5% increase in unit volume. Favorable foreign exchange impacts increased net sales by 1%. Higher pricing increased net sales by 1%. Positive mix impacts increased net sales by 3% due to the disproportionate growth of the Home Care category and the North America region, both of which have higher than segment-average selling prices. Organic sales increased 9%. Global market share of the Fabric & Home Care segment increased 1 point.

- Fabric Care net sales increased high single digits due to a low single digit increase in volume, favorable foreign exchange impacts and positive mix impacts due to the disproportionate growth of premium products (including scent beads and unit dose) and the North America region, all of which have higher than category-average selling prices. Organic sales increased mid-single digits. Volume grew high single digits in North America and Greater China and grew low single digits in Latin America (all due to product innovation, incremental marketing spending and pandemic-related consumption increases) partially offset by a low single digit decrease in Asia Pacific due to pandemic-related market contraction and competitive activity. Global market share of the Fabric Care category increased more than a point.
- Home Care net sales increased high-teens due to mid-teens volume growth, positive mix impact due to the disproportionate growth of premium dish care and surface cleaning products and the North America region, all of which have higher than category-average selling prices, increased pricing and favorable foreign exchange impacts. Organic sales also increased high-teens. Volume increased in all regions led by high teens growth in North America and Latin America and double digit growth in Europe, all due to consumption increases related to the COVID-19 pandemic, product innovation and incremental marketing spending. Global market share of the Home Care category increased more than a point.

Net earnings increased 11% to $4.6 billion in fiscal 2021 due to the increase in net sales and a 30 basis-point increase in net earnings margin. The net earnings margin increased primarily due to an increase in gross margin, partially offset by an increase in SG&A as a percentage of net sales. The gross margin increase was driven by manufacturing cost savings and increased selling prices, partially offset by unfavorable foreign exchange impacts and unfavorable product mix (due to the disproportionate growth of products that are premium-priced and profit-accretive but with lower than segment-average margins). SG&A as a percentage of net sales increased due to an increase in marketing spending, partially offset by the positive scale benefits of the net sales increase.

BABY, FEMININE & FAMILY CARE

($ millions)	2021	2020	Change vs. 2020
Volume	**N/A**	N/A	—%
Net sales	**$18,850**	$18,364	3%
Net earnings	**$3,629**	$3,465	5%
% of net sales	**19.3%**	18.9%	40 bps

Baby, Feminine & Family Care net sales increased 3% to $18.9 billion in fiscal 2021 on unit volume that was unchanged. Favorable foreign exchange impacts increased net sales by 1%. Increased pricing was a positive 1% impact to net sales. Positive mix impact increased net sales by 1% due to the growth of the North America region which has higher than segment-average selling prices. Organic sales increased 2%. Global market share of the Baby, Feminine & Family Care segment decreased 0.2 points.

- Baby Care net sales increased low single digits driven by positive mix impact due to the growth of the North America region and premium products, both of which have higher than category-average selling prices, increased pricing and favorable foreign exchange impacts, partially offset by a low single digit decrease in volume. Organic sales were unchanged. The volume decrease was driven by a double digit decline in Greater China (due to competitive activities), mid-single digit declines in Asia Pacific (due to market contraction and competitive activity), Latin America (due to market contraction) and IMEA (due to pandemic-related retailer inventory reductions and market contraction) and a low single digit decline in Europe (due to market contractions and competitive activity in certain markets). These volume declines were partially offset by a low single digit volume increase in North America due to market growth and product innovation. Global market share of the baby care category decreased less than half a point.
- Feminine Care net sales increased mid-single digits due to positive mix impacts (from the disproportionate growth of the North America region and premium products, such as adult incontinence, all of which have higher than category-average selling prices), increased pricing and favorable foreign exchange impacts. Organic sales also increased mid-single digits. Volume was unchanged as mid-single digits increases in North America (due to product innovation) and in IMEA (due to market growth, innovation and low base period due to pandemic-related economic slowdowns) were offset by a mid-single digit volume decrease in Europe (due to pandemic-related consumption declines) and low single digit decreases in Latin America, Greater China and Asia Pacific (all due to pandemic-related consumption

declines, competitive activities in certain markets and, to a lesser extent, a high base period due to pandemic-related pantry loading). Market share of the feminine care category increased more than half a point.

- Net sales in Family Care, which is predominantly a North American business, increased mid-single digits driven by a low single digit volume increase and increased pricing in the form of lower consumer promotions, partially offset by unfavorable mix due to the disproportionate growth of large pack sizes, which have lower than category-average selling prices. The volume increase was driven by pandemic-related consumption increases, pantry loading and to a lesser extent, retailer inventory restocking. Organic sales increased low single digits. North America's share of the family care category decreased less than a point.

Net earnings in fiscal 2021 increased 5% to $3.6 billion due to the increase in net sales and a 40 basis-point increase in net earnings margin. Net earnings margin increased due to an increase in gross margin, partially offset by an increase in SG&A as a percentage of sales. The gross margin increase was driven by manufacturing cost savings and higher selling prices, partially offset by unfavorable foreign exchange impacts and unfavorable mix (due to the growth of large sizes which have lower than segment-average margins). SG&A as a percentage of net sales increased marginally due primarily to an increase in marketing spending, partially offset by the positive scale benefits of the net sales increase.

CORPORATE

($ millions)	2021	2020	Change vs. 2020
Net sales	**$441**	$395	12%
Net earnings/(loss)	**$(387)**	$(234)	N/A

Corporate includes certain operating and non-operating activities not allocated to specific business segments. These include: the incidental businesses managed at the corporate level; financing and investing activities; certain employee benefit costs; other general corporate items; gains and losses related to certain divested brands; certain asset impairment charges; and certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Corporate also includes reconciling items to adjust the accounting policies used in the reportable segments to U.S. GAAP. The most significant ongoing reconciling item is income taxes, to adjust from blended statutory rates that are reflected in the reportable segments to the overall Company effective tax rate.

Corporate net sales increased 12% to $441 million in fiscal 2021 due to an increase in the net sales of the incidental businesses managed at the corporate level. Corporate net loss increased by $153 million in fiscal 2021 primarily due to the $427 million ($512 million before tax) current period charge for early debt extinguishment. Excluding this charge, Corporate had net earnings of $40 million, an improvement of $274 million driven by lower restructuring charges versus the base period and the current period unrealized gain from an equity investment that became publicly traded in fiscal 2021, partially offset by higher interest expense and lower interest income in the current period. Each of these items have been discussed above.

Restructuring Program to Deliver Productivity and Cost Savings

The Company has historically had an ongoing restructuring program with annual spending in the range of $250 to $500 million. In fiscal 2012, the Company initiated a productivity and cost savings plan, in addition to our ongoing restructuring-type activities, to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. In fiscal 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program. The plan was designed to accelerate cost reductions by streamlining decision making, manufacturing and other work processes to both fund the Company's growth strategy and increase the Company's operating margin. The plan was substantially completed in fiscal 2020, with spending totaling approximately $782 million in that year.

Savings generated from the Company's restructuring program are difficult to estimate, given the nature of the activities, the timing of the execution and the degree of reinvestment. However, we estimate that the underlying restructuring costs incurred since 2012 (approximately $8.2 billion), along with other non-manufacturing enrollment reductions since 2012 have delivered approximately $3.7 billion in annual before-tax gross savings. In fiscal 2021, the Company incurred restructuring costs within the range of our historical ongoing level of $250 to $500 million annually.

Restructuring accruals of $278 million as of June 30, 2021 are classified as current liabilities. Approximately 91% of the restructuring charges incurred in fiscal 2021 either have been or will be settled with cash. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

In addition to our restructuring programs, we have additional ongoing savings efforts in our supply chain, marketing and overhead areas that yield additional benefits to our operating margins.

Refer to Note 3 to the Consolidated Financial Statements for more details on the restructuring program and to the Operating Costs section of the MD&A for more information about the total benefit to operating margins from our total savings efforts.

CASH FLOW, FINANCIAL CONDITION AND LIQUIDITY

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate substantial cash from operations and to readily access capital markets at competitive rates.

Operating cash flow provides the primary source of cash to fund operating needs and capital expenditures. Excess operating cash is used first to fund shareholder dividends. Other discretionary uses include share repurchases and

acquisitions to complement our portfolio of businesses, brands and geographies. As necessary, we may supplement operating cash flow with debt to fund these activities. The overall cash position of the Company reflects our strong business results and a global cash management strategy that takes into account liquidity management, economic factors and tax considerations.

Cash Flow Analysis

($ millions)	2021	2020
Net cash provided by operating activities	**$18,371**	$ 17,403
Net cash provided/(used) by investing activities	**(2,834)**	3,045
Net cash used in financing activities	**(21,531)**	(8,367)
Adjusted Free Cash Flow	**15,809**	14,873
Adjusted Free Cash Flow Productivity	**107 %**	114 %

Operating Cash Flow

Operating cash flow was $18.4 billion in 2021, a 6% increase from the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, loss on early extinguishment of debt, share-based compensation, deferred income taxes and gain on sale of assets) generated approximately $17.9 billion of operating cash flow. Working capital and other impacts generated $506 million of operating cash flow as summarized below.

- An increase in accounts receivable used $342 million of cash primarily due to sales growth and lower relative sales at the end of the base period in certain markets due to COVID-19. The number of days sales outstanding increased approximately 1 day versus prior year.
- Higher inventory used $309 million of cash, primarily due to commodity cost increases and business growth. Inventory days on hand increased approximately 2 days primarily due to these same factors.
- Accounts payable, accrued and other liabilities increased, generating $1.4 billion of cash. About half of this was driven by extended payment terms with our suppliers (see *Extended Payment Terms and Supply Chain Financing* below). The remaining amount was driven by higher current period marketing spending and to support the increase in inventory. Days payable outstanding is approximately 87 days as of June 30, 2021, an increase of 6 days versus prior year due to these same factors.
- Other net operating assets and liabilities declined, using $369 million of cash, primarily driven by the payment of the current year portion of transitional taxes due related to the U.S. Tax Act repatriation charge ($225 million) and pension related accruals and contributions.

Adjusted Free Cash Flow. We view adjusted free cash flow as an important non-GAAP measure because it is a factor impacting the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments. It is defined as operating cash flow less capital expenditures and excluding payments for the transitional tax resulting from the U.S. Tax Act and tax payments related to the Merck acquisition. Adjusted free cash flow is one of the measures used to evaluate senior management and determine their at-risk compensation.

Adjusted free cash flow was $15.8 billion in 2021, an increase of 6% versus the prior year. The increase was primarily driven by the increase in operating cash flows as discussed above. Adjusted free cash flow productivity, defined as the ratio of adjusted free cash flow to net earnings, excluding the charges for early debt extinguishment (which are not considered part of our ongoing operations), was 107% in 2021.

Extended Payment Terms and Supply Chain Financing. Beginning in fiscal 2014, in response to evolving market practices, the Company began a program to negotiate extended payment terms with its suppliers. At the same time, the Company initiated a Supply Chain Finance program (the "SCF") with a number of global financial institutions (the "SCF Banks"). Under the SCF, qualifying suppliers may elect to sell their receivables from the company to a SCF Bank. These participating suppliers negotiate their receivables sales arrangements directly with the respective SCF Bank. While the Company is not party to those agreements, the SCF Banks allow the participating suppliers to utilize the Company's creditworthiness in establishing credit spreads and associated costs. This generally provides the suppliers with more favorable terms than they would be able to secure on their own. The Company has no economic interest in a supplier's decision to sell a receivable. Once a qualifying supplier elects to participate in the SCF and reaches an agreement with an SCF Bank, they elect which individual Company invoices they sell to the SCF bank. However, all the Company's payments to participating suppliers are paid to the SCF Bank on the invoice due date, regardless of whether the individual invoice is sold by the supplier to the SCF Bank. The SCF Bank pays the supplier on the invoice due date for any invoices that were not previously sold to the SCF Bank under the SCF.

The terms of the Company's payment obligation are not impacted by a supplier's participation in the SCF. Our payment terms with our suppliers for similar services and materials within individual markets are consistent between suppliers that elect to participate in the SCF and those that do not participate. Accordingly, our average days outstanding are not significantly impacted by the portion of suppliers or related input costs that are included in the SCF. In addition, the SCF is available to both material suppliers, where the underlying costs are largely included in Cost of goods sold, and to service suppliers, where the underlying costs are largely included in SG&A. As of June 30, 2021, approximately 3% of our global suppliers have elected to participate in the SCF. Payments to those suppliers during fiscal year 2021 total approximately $15 billion, which equals approximately 26% of our total Cost of goods sold and SG&A for the period. For participating suppliers, we believe substantially all of their receivables with the

Company are sold to the SCF Banks. Accordingly, we would expect that at each balance sheet date, a similar proportion of amounts originally due to suppliers would instead be payable to SCF Banks. All outstanding amounts related to suppliers participating in the SCF are recorded within Accounts payable in our Consolidated Balance Sheets, and the associated payments are included in operating activities within our Consolidated Statements of Cash Flows. As of June 30, 2021 and 2020, the amount due to suppliers participating in the SCF and included in Accounts payable were approximately $5 billion and $4 billion, respectively.

Although difficult to project due to market and other dynamics, we anticipate incremental cash flow benefits from the extended payment terms with suppliers could increase at a slower rate in fiscal 2022. Future changes in our suppliers' financing policies or economic developments, such as changes in interest rates, general market liquidity or the Company's credit-worthiness relative to participating suppliers could impact suppliers' participation in the SCF and/or our ability to negotiate extended payment terms with our suppliers. However, any such impacts are difficult to predict.

Investing Cash Flow

Net investing activities used $2.8 billion in cash in 2021, primarily due to capital spending. Net investing activities generated $3.0 billion in cash in 2020, mainly due to proceeds from sales and maturities of investment securities, partially offset by capital spending.

Capital Spending. Capital expenditures, primarily to support capacity expansion, innovation and cost efficiencies, were $2.8 billion in 2021 and $3.1 billion in 2020. Capital spending as a percentage of net sales decreased 60 basis points to 3.7% in 2021.

Acquisitions. Acquisition activity used cash of $34 million in 2021, primarily related to a minor Health Care acquisition. Acquisition activity used $58 million in 2020, primarily related to final contractual payments from the fiscal 2019 acquisition of Merck OTC, along with a minor Baby Care acquisition.

Proceeds from Divestitures and Other Asset Sales. Proceeds from asset sales were $42 million in 2021, primarily from fixed asset sales and a minor brand divestiture and $30 million in 2020, primarily from a minor brand divestiture.

Investment Securities. Investments used net cash of $55 million in 2021 primarily from the purchase of investment securities and generated $6.2 billion in 2020 primarily from sales and maturities of investment securities.

Financing Cash Flow

Net financing activities consumed $21.5 billion of cash in 2021, mainly due to treasury stock purchases, dividends to shareholders and net debt reductions, partially offset by the impact of proceeds received from stock option exercises. Net financing activities consumed $8.4 billion in cash in 2020, mainly due to treasury stock purchases and dividends to shareholders, partially offset by a net debt increase and the impact of stock options.

Dividend Payments. Our first discretionary use of cash is dividend payments. Dividends per common share increased 7% to $3.2419 per share in 2021. Total dividend payments to common and preferred shareholders were $8.3 billion in 2021 and $7.8 billion in 2020. In April 2021, the Board of Directors declared a 10% increase in our quarterly dividend from $0.7907 to $0.8698 per share on Common Stock and Series A and B ESOP Convertible Class A Preferred Stock. This is the 65th consecutive year that our dividend has increased. We have paid a dividend for 131 consecutive years, every year since our incorporation in 1890.

Long-Term and Short-Term Debt. We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans (including acquisitions and share repurchase activities) and the overall cost of capital. Total debt was $32.0 billion as of June 30, 2021 and $34.7 billion as of June 30, 2020. We used $3.9 billion for net debt reductions, including $512 million for early debt extinguishment costs related to the early retirement of $2.3 billion of debt. In 2020, we generated $4.8 billion from net debt increases, primarily due to the issuance of bonds of $5.0 billion.

Treasury Purchases. Total share repurchases were $11.0 billion in 2021 and $7.4 billion in 2020.

Impact of Stock Options and Other. The exercise of stock options and other financing activities generated $1.6 billion and $2.0 billion of cash in 2021 and 2020, respectively.

Liquidity

At June 30, 2021, our current liabilities exceeded current assets by $10.0 billion, largely due to short-term borrowings under our commercial paper program. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. The Company regularly assesses its cash needs and the available sources to fund these needs. As of June 30, 2021, the Company had $4.7 billion of cash and cash equivalents related to foreign subsidiaries, primarily in various Western European and Asian countries. We did not have material cash and cash equivalents related to any country subject to exchange controls that significantly restrict our ability to access or repatriate the funds. Under current law, we do not expect restrictions or taxes on repatriation of cash held outside of the U.S. to have a material effect on our overall liquidity, financial condition or the results of operations for the foreseeable future.

We utilize short- and long-term debt to fund discretionary items, such as acquisitions and share repurchases. We have strong short- and long-term debt ratings, which have enabled, and should continue to enable, us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient funding to meet short-term financing requirements.

On June 30, 2021, our short-term credit ratings were P-1 (Moody's) and A-1+ (Standard & Poor's), while our long-term credit ratings were Aa3 (Moody's) and AA- (Standard & Poor's), all with a stable outlook.

We maintain bank credit facilities to support our ongoing commercial paper program. The current facility is an $8.0 billion facility split between a $3.2 billion five-year facility and a $4.8 billion 364-day facility, which expire in November 2025 and November 2021, respectively. Both facilities can be extended for certain periods of time as specified in the terms of the credit agreement. These facilities are currently undrawn and we anticipate that they will remain undrawn. These credit facilities do not have cross-default or ratings triggers, nor do they have material adverse events clauses, except at the time of signing. In addition to these credit facilities, we have an automatically effective registration statement on Form S-3 filed with the SEC that is available for registered offerings of short- or long-term debt securities. For additional details on debt see Note 10 to the Consolidated Financial Statements.

Guarantees and Other Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Contractual Commitments

The following table provides information on the amount and payable date of our contractual commitments as of June 30, 2021.

($ millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
RECORDED LIABILITIES					
Total debt	**$ 31,967**	$ 8,880	$ 4,928	$ 4,858	$ 13,301
Leases	**953**	219	349	175	210
U.S. Tax Act transitional charge [(1)]	**2,115**	224	645	1,246	—
Uncertain tax positions [(2)]	**9**	9	—	—	—
OTHER					
Interest payments relating to long-term debt	**5,020**	599	1,010	866	2,545
Minimum pension funding [(3)]	**552**	179	373	—	—
Purchase obligations [(4)]	**1,982**	809	599	259	315
TOTAL CONTRACTUAL COMMITMENTS	**$ 42,598**	$ 10,919	$ 7,904	$ 7,404	$ 16,371

(1) Represents the U.S. federal tax liability associated with the repatriation provisions of the U.S. Tax Act. Does not include any provisions made for foreign withholding taxes on expected repatriations as the timing of those payments is uncertain.

(2) As of June 30, 2021, the Company's Consolidated Balance Sheet reflects a liability for uncertain tax positions of $803 million, including $176 million of interest and penalties. Due to the high degree of uncertainty regarding the timing of future cash outflows of liabilities for uncertain tax positions beyond one year, a reasonable estimate of the period of cash settlement beyond twelve months from the balance sheet date of June 30, 2021 cannot be made.

(3) Represents future pension payments to comply with local funding requirements. These future pension payments assume the Company continues to meet its future statutory funding requirements. Considering the current economic environment in which the Company operates, the Company believes its cash flows are adequate to meet the future statutory funding requirements. The projected payments beyond fiscal year 2023 are not currently determinable.

(4) Primarily reflects future contractual payments under various take-or-pay arrangements entered into as part of the normal course of business. Commitments made under take-or-pay obligations represent minimum commitments with suppliers and are in line with expected usage. This includes service contracts for information technology, human resources management and facilities management activities that have been outsourced. While the amounts listed represent contractual obligations, we do not believe it is likely that the full contractual amount would be paid if the underlying contracts were canceled prior to maturity. In such cases, we generally are able to negotiate new contracts or cancellation penalties, resulting in a reduced payment. The amounts do not include other contractual purchase obligations that are not take-or-pay arrangements. Such contractual purchase obligations are primarily purchase orders at fair value that are part of normal operations and are reflected in historical operating cash flow trends. We do not believe such purchase obligations will adversely affect our liquidity position.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements in accordance with U.S. GAAP, there are certain accounting policies that may require a choice between acceptable accounting methods or may require substantial judgment or estimation in their application. These include revenue recognition, income taxes, certain employee benefits and goodwill and intangible assets. We believe these accounting policies, and others set forth in Note 1 to the Consolidated Financial Statements, should be reviewed as they are integral to understanding the results of operations and financial condition of the Company.

The Company has discussed the selection of significant accounting policies and the effect of estimates with the Audit Committee of the Company's Board of Directors.

Revenue Recognition

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, which can be on the date of shipment or the date of receipt by the customer. Trade promotions, consisting primarily of customer pricing allowances, in-store merchandising funds, advertising and other promotional activities, and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred at the time of the sale. Amounts accrued for trade promotions at the end of a period require estimation, based on contractual terms, sales volumes and historical utilization and redemption rates. The actual amounts paid may be different from such estimates. These differences, which have historically not been significant, are recognized as a change in management estimate in a subsequent period.

Income Taxes

Our annual tax rate is determined based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Also inherent in determining our annual tax rate are judgements and assumptions regarding the recoverability of certain deferred tax balances, primarily net operating loss and other carryforwards, and our ability to uphold certain tax positions.

Realization of net operating losses and other carryforwards is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods, which involves business plans, planning opportunities and expectations about future outcomes. Although realization is not assured, management believes it is more likely than not that our deferred tax assets, net of valuation allowances, will be realized.

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. These interpretational differences with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment.

A core operating principle is that our tax structure is based on our business operating model, such that profits are earned in line with the business substance and functions of the various legal entities in the jurisdictions where those functions are performed. However, because of the complexity of transfer pricing concepts, we may have income tax uncertainty related to the determination of intercompany transfer prices for our various cross-border transactions. We have obtained and continue to prioritize the strategy of seeking advance rulings with tax authorities to reduce this uncertainty. We estimate that our current portfolio of advance rulings reduces this uncertainty with respect to over 70% of our global earnings. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly. We have a number of audits in process in various jurisdictions. Although the resolution of these tax positions is uncertain, based on currently available information, we believe that the ultimate outcomes will not have a material adverse effect on our financial position, results of operations or cash flows.

Because there are a number of estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on those estimates and our effective tax rate. See Note 5 to the Consolidated Financial Statements for additional details on the Company's income taxes.

Employee Benefits

We sponsor various postretirement benefits throughout the world. These include pension plans, both defined contribution plans and defined benefit plans, and other postretirement benefit (OPRB) plans, consisting primarily of health care and life insurance for retirees. For accounting purposes, the defined benefit pension and OPRB plans require assumptions to estimate the net projected and accumulated benefit obligations, including the following variables: discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on assets; and health care cost trend rates. These and other assumptions affect the annual expense and net obligations recognized for the underlying plans. Our assumptions reflect our historical experiences and management's best judgment regarding future expectations. As permitted by U.S. GAAP, the net amount by which actual results differ from our assumptions is deferred. If this net deferred amount exceeds 10% of the greater of plan assets or liabilities, a portion of the deferred amount is included in expense for the following year. The cost or benefit of plan changes, such as increasing or decreasing benefits for prior employee service (prior service

cost), is deferred and included in expense on a straight-line basis over the average remaining service period of the employees expected to receive benefits.

The expected return on plan assets assumption impacts our defined benefit expense since many of our defined benefit pension plans and our primary OPRB plan are partially funded. The process for setting the expected rates of return is described in Note 8 to the Consolidated Financial Statements. For 2021, the average return on assets assumptions for pension plan assets and OPRB assets was 6.5% and 8.4%, respectively. A change in the rate of return of 100 basis points for both pension and OPRB assets would impact annual after-tax benefit/expense by approximately $140 million.

Since pension and OPRB liabilities are measured on a discounted basis, the discount rate impacts our plan obligations and expenses. Discount rates used for our U.S. defined benefit pension and OPRB plans are based on a yield curve constructed from a portfolio of high quality bonds for which the timing and amount of cash outflows approximate the estimated payouts of the plan. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA or better. The average discount rate on the defined benefit pension plans of 1.7% represents a weighted average of local rates in countries where such plans exist. A 100 basis point change in the discount rate would impact annual after-tax benefit expense by approximately $210 million. The average discount rate on the OPRB plan of 3.2% reflects the higher interest rates generally applicable in the U.S., which is where a majority of the plan participants receive benefits. A 100 basis point change in the discount rate would impact annual after-tax OPRB expense by approximately $15 million. See Note 8 to the Consolidated Financial Statements for additional details on our defined benefit pension and OPRB plans.

Goodwill and Intangible Assets

Significant judgment is required to estimate the fair value of our goodwill reporting units and intangible assets. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant goodwill reporting units and intangible assets. The fair value estimates are based on available historical information and on future expectations. We typically estimate the fair value of these assets using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. The valuations used to establish and to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin progression, Company business plans and the discount rate applied to cash flows.

Indefinite-lived intangible assets and goodwill are not amortized, but are tested at least annually for impairment. Our ongoing annual impairment testing for goodwill and indefinite-lived intangible assets occurs during the 3 months ended December 31. Assumptions used in our impairment evaluations, such as forecasted growth rates and cost of capital, are consistent with internal projections and operating plans. We believe these estimates and assumptions are reasonable and comparable to those that would be used by other marketplace participants. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions. For example, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values. In addition, changes to, or a failure to achieve business plans or deterioration of macroeconomic conditions could result in reduced cash flows or higher discount rates, leading to a lower valuation that would trigger an impairment of the goodwill and intangible assets of these businesses.

We test individual indefinite-lived intangible assets by comparing the book value of each asset to the estimated fair value. Our impairment testing for goodwill is performed separately from our impairment testing of indefinite-lived intangible assets. If the fair value of the reporting unit or indefinite-lived intangible is less than its carrying value, that difference represents an impairment.

Determining the useful life of an intangible asset also requires judgment. Certain brand intangible assets are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands. Other acquired intangible assets (e.g., certain brands, all customer relationships, patents and technologies) are expected to have determinable useful lives. Our assessment as to brands that have an indefinite life and those that have a determinable life is based on a number of factors including competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. Determinable-lived intangible assets are amortized to expense over their estimated lives. An impairment assessment for determinable-lived intangibles is only required when an event or change in circumstances indicates that the carrying amount of the asset may not be recoverable.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result have fair value cushions that are not as high as our legacy businesses. The Appliances reporting unit has a fair value that significantly exceeds the underlying carrying value.

During fiscal 2019, a non-cash before- and after-tax impairment charge of $6.8 billion was recognized to reduce the carrying amount of goodwill for the Shave Care reporting unit, and a non-cash, before-tax impairment charge

of $1.6 billion ($1.2 billion after-tax) was recognized to reduce the carrying amount of the Gillette indefinite-lived intangible asset to its fair value. The underlying reductions in fair values were due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar, a deceleration of category growth caused by changing grooming habits, primarily in the developed markets, and an increased competitive market environment in the U.S. and certain other markets. As a result of the fiscal 2019 impairment determined by the step two testing (that existed under previous accounting standards), the Shave Care fair value exceeded the carrying value by approximately 20% as of June 30, 2019. Because the impairment testing for intangible assets has historically been a one-step process, the Gillette indefinite-lived intangible asset fair value approximated its carrying value at that date.

During our annual impairment testing during the quarter ended December 31, 2019, we reduced the discount rate used in the valuation based on developments in the macroeconomic environment. As a result of this change and updates to other underlying cash flow projections, the Shave Care fair value exceeded its carrying value by more than 20% and the Gillette indefinite-lived intangible asset's fair value exceeded its carrying value by approximately 5%.

The COVID-19 pandemic that originated during the second half of fiscal 2020 resulted in a reduction in shave incidents by consumers and a weakening of certain currencies relative to the U.S. dollar, which led to a reduction in net sales for Gillette-branded products. This resulted in a triggering event for the Gillette indefinite-lived intangible asset, which caused us to perform an additional impairment assessment for that asset as of June 30, 2020. That assessment indicated that the fair value of the Gillette trade name approximated its carrying value. Accordingly, no impairment charge was recorded during the year ended June 30, 2020. Based on our annual impairment testing during the three months ended December 31, 2020, the Shave Care reporting unit's fair value continued to exceed its carrying value by more than 20% and the Gillette indefinite-lived intangible asset's fair value continued to approximate its carrying value.

The most significant assumptions utilized in the determination of the estimated fair values of the Shave Care reporting unit and the Gillette indefinite-lived intangible asset are the net sales and earnings growth rates (including residual growth rates) and discount rate. The residual growth rate represents the expected rate at which the reporting unit and Gillette brand are expected to grow beyond the shorter-term business planning period. The residual growth rate utilized in our fair value estimates is consistent with the reporting unit and brand operating plans and approximates expected long-term category market growth rates. The residual growth rate is dependent on overall market growth rates, the competitive environment, inflation, relative currency exchange rates and business activities that impact market share. As a result, the residual growth rate could be adversely impacted by a sustained deceleration in category growth, grooming habit changes, devaluation of currencies against the U.S. dollar or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon industry required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted by adverse changes in the macroeconomic environment, volatility in the equity and debt markets or other country specific factors, such as further devaluation of currencies against the U.S. dollar. Spot rates as of the fair value measurement date are utilized in our fair value estimates for cash flows outside the U.S. Another key assumption in our fair value determination of the Gillette indefinite-lived intangible asset is the royalty rate, which is driven by historical and estimated future profitability of the underlying Gillette business. The royalty rate may be impacted by significant adverse changes in long-term operating margins.

While management can and has implemented strategies to address these events in the past, changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that would trigger future impairment charges of the Shave Care reporting unit's goodwill and indefinite-lived intangibles.

The duration and severity of the pandemic could result in additional future impairment charges for the Shave Care reporting unit goodwill and the Gillette indefinite-lived intangible asset. While we have concluded that a triggering event did not occur during the quarter ended June 30, 2021, the Gillette indefinite-lived intangible asset is most susceptible to future impairment risk. Our assessment of the Gillette intangible asset assumes the net sales growth rates will begin to recover from the impact of the pandemic during the next fiscal year. There continues to be a high level of uncertainty relating to how the pandemic will evolve, how governments and consumers will react and progress on the distribution of vaccines. Accordingly, there continues to be risk related to this key assumption. A more prolonged pandemic recovery period could impact the assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset that are significant enough to trigger an impairment. Net sales and earnings growth rates could be negatively impacted by more prolonged reductions or changes in demand for our shave care products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, financial hardship, changes in the use and frequency of grooming products or by shifts in demand away from one or more of our higher priced products to lower priced products. In addition, relative global and country/regional macroeconomic factors could result in additional and prolonged devaluation of other countries' currencies relative to the U.S. dollar. Finally, the discount rate utilized in our valuation model could be impacted by changes in the underlying interest rates and risk premiums included in the determination of the cost of

capital. As of June 30, 2021, the carrying values of the Shave Care goodwill and the Gillette indefinite-lived intangible asset were $12.8 billion and $14.1 billion, respectively.

We performed a sensitivity analysis for the Shave Care reporting unit and the Gillette indefinite-lived intangible asset during our annual impairment testing, utilizing reasonably possible changes in the assumptions for the shorter-term and residual growth rates, the discount rate, and the royalty rate to demonstrate the potential impacts to the estimated fair values. The table below provides, in isolation, the estimated fair value impacts related to a 25 basis point increase in the discount rate, a 25 basis point decrease in our shorter-term and residual growth rates, or a 50 basis point decrease in our royalty rate, any of which, in isolation, would result in an impairment of the Gillette indefinite-lived intangible asset.

	Approximate Percent Change in Estimated Fair Value		
	+25 bps Discount Rate	-25 bps Growth Rate	-50 bps Royalty Rate
Shave Care goodwill reporting unit	(6)%	(6)%	N/A
Gillette indefinite-lived intangible asset	(6)%	(6)%	(4)%

See Note 4 to the Consolidated Financial Statements for additional discussion on goodwill and intangible asset impairment testing results.

New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of June 30, 2021.

OTHER INFORMATION

Hedging and Derivative Financial Instruments

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. We leverage the Company's diversified portfolio of exposures as a natural hedge and prioritize operational hedging activities over financial market instruments. To the extent we choose to further manage volatility within our financing operations, as discussed below, we enter into various financial transactions which we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices. See Note 9 to the Consolidated Financial Statements for a discussion of our accounting policies for derivative instruments.

Derivative positions are monitored using techniques including market valuation, sensitivity analysis and value-at-risk modeling. The tests for interest rate, currency rate and commodity derivative positions discussed below are based on the RiskManager™ value-at-risk model using a one-year horizon and a 95% confidence level. The model incorporates the impact of correlation (the degree to which exposures move together over time) and diversification (from holding multiple currency, commodity and interest rate instruments) and assumes that financial returns are normally distributed. Estimates of volatility and correlations of market factors are drawn from the RiskMetrics™ dataset as of June 30, 2021. In cases where data is unavailable in RiskMetrics™, a reasonable proxy is included.

Our market risk exposures relative to interest rates, currency rates and commodity prices, as discussed below, have not changed materially versus the previous reporting period. In addition, we are not aware of any facts or circumstances that would significantly impact such exposures in the near term.

Interest Rate Exposure on Financial Instruments. Interest rate swaps are used to hedge exposures to interest rate movement on underlying debt obligations. Certain interest rate swaps denominated in foreign currencies are designated to hedge exposures to currency exchange rate movements on our investments in foreign operations. These currency interest rate swaps are designated as hedges of the Company's foreign net investments.

Based on our interest rate exposure as of and during the year ended June 30, 2021, including derivative and other instruments sensitive to interest rates, we believe a near-term change in interest rates, at a 95% confidence level based on historical interest rate movements, would not materially affect our financial statements.

Currency Rate Exposure on Financial Instruments. Because we manufacture and sell products and finance operations in a number of countries throughout the world, we are exposed to the impact on revenue and expenses of movements in currency exchange rates. Corporate policy prescribes the range of allowable hedging activity. To manage the exchange rate risk associated with the financing of our operations, we primarily use forward contracts and currency swaps with maturities of less than 18 months.

Based on our currency rate exposure on derivative and other instruments as of and during the year ended June 30, 2021, we believe, at a 95% confidence level based on historical currency rate movements, the impact on such instruments of a near-term change in currency rates would not materially affect our financial statements.

Commodity Price Exposure on Financial Instruments. We use raw materials that are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. We may use futures, options and swap contracts to manage the volatility related to the above exposures.

As of and during the years ended June 30, 2021 and June 30, 2020, we did not have any financial commodity hedging activity.

Measures Not Defined By U.S. GAAP

In accordance with the SEC's Regulation S-K Item 10(e), the following provides definitions of the non-GAAP measures and the reconciliation to the most closely related GAAP measures. We believe that these measures provide useful perspective of underlying business trends (i.e., trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measures, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted. These measures include:

Organic Sales Growth. Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. This measure is used in assessing achievement of management goals for at-risk compensation.

The following tables provide a numerical reconciliation of organic sales growth to reported net sales growth:

Year ended June 30, 2021	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/ Other (1)	Organic Sales Growth
Beauty	8 %	(2)%	— %	6 %
Grooming	6 %	— %	— %	6 %
Health Care	10 %	(1)%	— %	9 %
Fabric & Home Care	10 %	(1)%	— %	9 %
Baby, Feminine & Family Care	3 %	(1)%	— %	2 %
TOTAL COMPANY	**7 %**	**(1)%**	**— %**	**6 %**

(1) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

Adjusted Free Cash Flow. Adjusted free cash flow is defined as operating cash flow less capital spending, tax payments related to the Merck OTC Consumer Healthcare acquisition in 2020 and transitional tax payments resulting from the U.S. Tax Act in 2021 and 2020 (the Company incurred a transitional tax liability of approximately $3.8 billion from the U.S. Tax Act, which is payable over a period of 8 years). Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. We view adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments.

The following table provides a numerical reconciliation of adjusted free cash flow ($ millions):

	Operating Cash Flow	Capital Spending	Adjustments to Operating Cash Flow (1)	Adjusted Free Cash Flow
2021	**$ 18,371**	**$ (2,787)**	**$ 225**	**$ 15,809**
2020	$ 17,403	$ (3,073)	$ 543	$ 14,873

(1) Adjustments to Operating Cash Flow include transitional tax payments resulting from the U.S. Tax Act of $225 and $215 in 2021 and 2020, respectively, and tax payments related to the Merck acquisition of $328 in 2020.

Adjusted Free Cash Flow Productivity. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the charges for early debt extinguishment (which are not considered part of our ongoing operations). We view adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, in allocating financial resources and for budget planning purposes. This measure is used in assessing the achievement of management goals for at-risk compensation. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

The following table provides a numerical reconciliation of adjusted free cash flow productivity ($ millions):

	Adjusted Free Cash Flow	Net Earnings	Early Debt Extinguishment Charges	Net Earnings Excluding Adjustments	Adjusted Free Cash Flow Productivity
2021	**$ 15,809**	**$ 14,352**	**$ 427**	**$ 14,779**	**107 %**
2020	14,873	13,103	—	13,103	114 %

Core EPS. Core EPS is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. Core EPS is also used in assessing the achievement of management goals for at-risk compensation. The table below provides a reconciliation of diluted net earnings per share to Core EPS, including the following reconciling items:

- Charges for early debt extinguishment: During fiscal year 2021, the Company recorded after tax charges of $427 million ($512 million before tax), due to the early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.
- Incremental Restructuring: The Company has historically had an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. Beginning in fiscal 2012, the Company had a strategic productivity and cost savings initiative that resulted in incremental restructuring charges through fiscal 2020. The adjustment to Core earnings includes only the restructuring costs above the normal recurring level of restructuring costs. In fiscal 2021, the Company incurred restructuring costs within our historical ongoing level.

We do not view the above items to be indicative of underlying business results and their exclusion from Core earnings measures provides a more comparable measure of year-on-year results. These items are also excluded when evaluating senior management in determining their at-risk compensation.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
(Amounts in Millions Except Per Share Amounts)
Reconciliation of Non-GAAP Measures

	Twelve Months Ended June 30, 2021			Twelve Months Ended June 30, 2020		
	AS REPORTED (GAAP)	EARLY DEBT EXTINGUISHMENT	NON-GAAP (CORE)	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING	NON-GAAP (CORE)
NET EARNINGS ATTRIBUTABLE TO P&G	14,306	427	14,733	13,027	415	13,442
			Core EPS			Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 5.50	$ 0.16	$ 5.66	$ 4.96	$ 0.16	$ 5.12

[1] Diluted net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

CHANGE VERSUS YEAR AGO	
CORE EPS	11 %

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is incorporated by reference to the section entitled Other Information under Management's Disclosure and Analysis, and Note 9 to the Consolidated Financial Statements.

Item 8. Financial Statements and Supplementary Data.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting of The Procter & Gamble Company (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Strong internal controls is an objective that is reinforced through our *Worldwide Business Conduct Manual*, which sets forth our commitment to conduct business with integrity, and within both the letter and the spirit of the law. Our people are deeply committed to our Purpose, Values, and Principles, which unite us in doing what's right. Our system of internal controls includes written policies and procedures, segregation of duties, and the careful selection and development of employees. Additional key elements of our internal control structure include our Global Leadership Council, which is actively involved in oversight of the business strategies, initiatives, results and controls, our Disclosure Committee, which is responsible for evaluating disclosure implications of significant business activities and events, our Board of Directors, which provides strong and effective corporate governance, and our Audit Committee, which reviews significant accounting policies, financial reporting and internal control matters.

The Company's internal control over financial reporting includes a Control Self-Assessment Program that is conducted annually for critical financial reporting areas of the Company and is audited by our Global Internal Audit organization. Management takes the appropriate action to correct any identified control deficiencies. Global Internal Audit also performs financial and compliance audits around the world, provides training, and continuously improves our internal control processes.

Because of its inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2021, using criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of June 30, 2021, based on these criteria.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2021, as stated in their report which is included herein.

/s/ David S. Taylor

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

/s/ Andre Schulten

(Andre Schulten)

Chief Financial Officer

August 6, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of The Procter & Gamble Company

Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2021 and 2020, the related Consolidated Statements of Earnings, Comprehensive Income, Shareholders' Equity and Cash Flows for each of the three years in the period ended June 30, 2021 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 6, 2021 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill and Intangible Assets - Shave Care Goodwill and Gillette Indefinite Lived Intangible Asset - Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill and indefinite lived intangible assets for impairment involves the comparison of the fair value of each reporting unit or indefinite lived intangible asset to its carrying value. The Company estimates fair value using the income method, which is based on the present value of estimated future cash flows attributable to the respective assets. This requires management to make significant estimates and assumptions related to forecasts of future net sales and earnings, including growth rates beyond a 10-year time period, royalty rates and discount rates. Changes in the assumptions could have a significant impact on either the fair value, the amount of any impairment charge, or both. The Company performed their annual impairment assessments of the Shave Care reporting unit as of October 1, 2020 and the Gillette brand indefinite lived intangible asset (the "Gillette brand") as of December 31, 2020. Because the estimated fair values exceeded their carrying values, no impairments were recorded. As of June 30, 2021, the Shave Care reporting unit goodwill was $12.8 billion, and the Gillette brand was $14.1 billion.

We identified the Company's impairment evaluations of goodwill for the Shave Care reporting unit and the Gillette brand as a critical audit matter because of the significant judgments made by management to estimate the fair values of the reporting unit and the brand. A high degree of auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of future net sales and earnings as well as the selection of royalty rates and discount rates, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasts of future net sales and earnings and the selection of the royalty rates and discount rates

for the Shave Care reporting unit and the Gillette brand included the following, among others:

- We tested the effectiveness of controls over goodwill and indefinite lived intangible assets, including those over the determination of fair value, such as controls related to management's development of forecasts of future net sales and earnings, and the selection of royalty rates, and discount rates.
- We evaluated management's ability to accurately forecast net sales and earnings by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecast of net sales and earnings by comparing the forecasts to:
  - Historical net sales and earnings.
  - Underlying analysis detailing business strategies and growth plans including consideration of the effects related to the COVID-19 pandemic.
  - Internal communications to management and the Board of Directors.
  - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies.
- With the assistance of our fair value specialists, we evaluated the net sales and earnings growth rates, royalty rates, and discount rates by:
  - Testing the source information underlying the determination of net sales and earnings growth rates, royalty rates, and discount rates and the mathematical accuracy of the calculations.
  - Developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 6, 2021

We have served as the Company's auditor since 1890.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of The Procter & Gamble Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The Procter & Gamble Company and subsidiaries (the "Company") as of June 30, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended June 30, 2021, of the Company and our report dated August 6, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

August 6, 2021

Consolidated Statements of Earnings

Amounts in millions except per share amounts; Years ended June 30	2021	2020	2019
NET SALES	**$ 76,118**	$ 70,950	$ 67,684
Cost of products sold	**37,108**	35,250	34,768
Selling, general and administrative expense	**21,024**	19,994	19,084
Goodwill and indefinite-lived intangible impairment charges	**—**	—	8,345
OPERATING INCOME	**17,986**	15,706	5,487
Interest expense	**(502)**	(465)	(509)
Interest income	**45**	155	220
Other non-operating income, net	**86**	438	871
EARNINGS BEFORE INCOME TAXES	**17,615**	15,834	6,069
Income taxes	**3,263**	2,731	2,103
NET EARNINGS	**14,352**	13,103	3,966
Less: Net earnings attributable to noncontrolling interests	**46**	76	69
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 14,306**	$ 13,027	$ 3,897
NET EARNINGS PER COMMON SHARE: [1]			
Basic	**$ 5.69**	$ 5.13	$ 1.45
Diluted	**$ 5.50**	$ 4.96	$ 1.43

[1] Basic net earnings per common share and Diluted net earnings per common share are calculated on Net earnings attributable to Procter & Gamble.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Amounts in millions; Years ended June 30	2021	2020	2019
NET EARNINGS	**$ 14,352**	$ 13,103	$ 3,966
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
Foreign currency translation (net of tax of $(266), $59 and $78, respectively)	**1,023**	(1,083)	(213)
Unrealized gains/(losses) on investment securities (net of tax of $5, $(1) and $0, respectively)	**16**	(12)	184
Unrealized gains/(losses) on defined benefit retirement plans (net of tax of $445, $(42) and $22, respectively)	**1,386**	(150)	169
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**2,425**	(1,245)	140
TOTAL COMPREHENSIVE INCOME	**16,777**	11,858	4,106
Less: Total comprehensive income attributable to noncontrolling interests	**50**	60	70
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 16,727**	$ 11,798	$ 4,036

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Amounts in millions except stated values; As of June 30	2021	2020
Assets		
CURRENT ASSETS		
Cash and cash equivalents	**$ 10,288**	$ 16,181
Accounts receivable	**4,725**	4,178
INVENTORIES		
Materials and supplies	**1,645**	1,414
Work in process	**719**	674
Finished goods	**3,619**	3,410
Total inventories	**5,983**	5,498
Prepaid expenses and other current assets	**2,095**	2,130
TOTAL CURRENT ASSETS	**23,091**	27,987
PROPERTY, PLANT AND EQUIPMENT, NET	**21,686**	20,692
GOODWILL	**40,924**	39,901
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET	**23,642**	23,792
OTHER NONCURRENT ASSETS	**9,964**	8,328
TOTAL ASSETS	**$ 119,307**	$ 120,700
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES		
Accounts payable	**$ 13,720**	$ 12,071
Accrued and other liabilities	**10,523**	9,722
Debt due within one year	**8,889**	11,183
TOTAL CURRENT LIABILITIES	**33,132**	32,976
LONG-TERM DEBT	**23,099**	23,537
DEFERRED INCOME TAXES	**6,153**	6,199
OTHER NONCURRENT LIABILITIES	**10,269**	11,110
TOTAL LIABILITIES	**72,653**	73,822
SHAREHOLDERS' EQUITY		
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	**870**	897
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)	**—**	—
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2021 - 4,009.2, 2020 - 4,009.2)	**4,009**	4,009
Additional paid-in capital	**64,848**	64,194
Reserve for ESOP debt retirement	**(1,006)**	(1,080)
Accumulated other comprehensive loss	**(13,744)**	(16,165)
Treasury stock, at cost (shares held: 2021 - 1,579.5, 2020 - 1,529.5)	**(114,973)**	(105,573)
Retained earnings	**106,374**	100,239
Noncontrolling interest	**276**	357
TOTAL SHAREHOLDERS' EQUITY	**46,654**	46,878
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 119,307**	$ 120,700

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Dollars in millions except per share amounts; shares in thousands	Common Stock		Preferred Stock	Additional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumulated Other Comprehensive Income/ (Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Shareholders' Equity
	Shares	Amount								
BALANCE JUNE 30, 2018	2,498,093	$4,009	$967	$63,846	($1,204)	($14,749)	($99,217)	$98,641	$590	$52,883
Impact of adoption of new accounting standards						(326)		(200)	(27)	(553)
Net earnings								3,897	69	3,966
Other comprehensive income/(loss)						139			1	140
Dividends and dividend equivalents ($2.8975 per share):										
Common								(7,256)		(7,256)
Preferred								(263)		(263)
Treasury stock purchases	(53,714)						(5,003)			(5,003)
Employee stock plans	55,734			93			3,781			3,874
Preferred stock conversions	4,638		(39)	6			33			—
ESOP debt impacts					58			99		157
Noncontrolling interest, net				(118)					(248)	(366)
BALANCE JUNE 30, 2019	2,504,751	$4,009	$928	$63,827	($1,146)	($14,936)	($100,406)	$94,918	$385	$47,579
Net earnings								13,027	76	13,103
Other comprehensive income/(loss)						(1,229)			(16)	(1,245)
Dividends and dividend equivalents ($3.0284 per share):										
Common								(7,551)		(7,551)
Preferred								(263)		(263)
Treasury stock purchases	(61,346)						(7,405)			(7,405)
Employee stock plans	32,603			362			2,212			2,574
Preferred stock conversions	3,738		(31)	5			26			—
ESOP debt impacts					66			108		174
Noncontrolling interest, net									(88)	(88)
BALANCE JUNE 30, 2020	2,479,746	$4,009	$897	$64,194	($1,080)	($16,165)	($105,573)	$100,239	$357	$46,878
Net earnings								**14,306**	**46**	**14,352**
Other comprehensive income/(loss)						**2,421**			**4**	**2,425**
Dividends and dividend equivalents ($3.2419 per share):										
Common								**(8,020)**		**(8,020)**
Preferred								**(271)**		**(271)**
Treasury stock purchases	**(81,343)**						**(11,009)**			**(11,009)**
Employee stock plans	**28,001**			**650**			**1,586**			**2,236**
Preferred stock conversions	**3,302**		**(27)**	**4**			**23**			**—**
ESOP debt impacts					**74**			**120**		**194**
Noncontrolling interest, net									**(131)**	**(131)**
BALANCE JUNE 30, 2021	**2,429,706**	**$4,009**	**$870**	**$64,848**	**($1,006)**	**($13,744)**	**($114,973)**	**$106,374**	**$276**	**$46,654**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30	2021	2020	2019
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	**$ 16,181**	$ 4,239	$ 2,569
OPERATING ACTIVITIES			
Net earnings	**14,352**	13,103	3,966
Depreciation and amortization	**2,735**	3,013	2,824
Loss on early extinguishment of debt	**512**	—	—
Share-based compensation expense	**540**	558	515
Deferred income taxes	**(258)**	(596)	(411)
Loss/(gain) on sale of assets	**(16)**	7	(678)
Goodwill and indefinite-lived intangible impairment charges	**—**	—	8,345
Change in accounts receivable	**(342)**	634	(276)
Change in inventories	**(309)**	(637)	(239)
Change in accounts payable, accrued and other liabilities	**1,391**	1,923	1,856
Change in other operating assets and liabilities	**(369)**	(710)	(973)
Other	**135**	108	313
TOTAL OPERATING ACTIVITIES	**18,371**	17,403	15,242
INVESTING ACTIVITIES			
Capital expenditures	**(2,787)**	(3,073)	(3,347)
Proceeds from asset sales	**42**	30	394
Acquisitions, net of cash acquired	**(34)**	(58)	(3,945)
Purchases of investment securities	**(55)**	—	(158)
Proceeds from sales and maturities of investment securities	**—**	6,151	3,628
Change in other investments	**—**	(5)	(62)
TOTAL INVESTING ACTIVITIES	**(2,834)**	3,045	(3,490)
FINANCING ACTIVITIES			
Dividends to shareholders	**(8,263)**	(7,789)	(7,498)
Increases/(reductions) in short-term debt	**(3,333)**	2,345	(2,215)
Additions to long-term debt	**4,417**	4,951	2,367
Reductions of long-term debt [(1)]	**(4,987)**	(2,447)	(969)
Treasury stock purchases	**(11,009)**	(7,405)	(5,003)
Impact of stock options and other	**1,644**	1,978	3,324
TOTAL FINANCING ACTIVITIES	**(21,531)**	(8,367)	(9,994)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**101**	(139)	(88)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(5,893)**	11,942	1,670
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	**$ 10,288**	$ 16,181	$ 4,239
SUPPLEMENTAL DISCLOSURE			
Cash payments for interest	**$ 531**	$ 434	$ 497
Cash payments for income taxes	**3,822**	3,550	3,064

(1) Includes early extinguishment of debt costs of $512 in 2021.

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Procter & Gamble Company's (the "Company," "Procter & Gamble," "we" or "us") business is focused on providing branded consumer packaged goods of superior quality and value. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels. We also sell direct to consumers. We have on-the-ground operations in approximately 70 countries.

Basis of Presentation

The Consolidated Financial Statements include the Company and its controlled subsidiaries. Intercompany transactions are eliminated.

Because of a lack of control over Venezuelan subsidiaries caused by a number of currency and other operating controls and restrictions, our Venezuelan subsidiaries are not consolidated for any year presented. We account for those subsidiaries at cost, less impairments, plus or minus observable price changes.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, consumer and trade promotion accruals, restructuring reserves, pensions, postretirement benefits, stock options, valuation of acquired intangible assets, useful lives for depreciation and amortization of long-lived assets, future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets and other long-lived assets, deferred tax assets and liabilities, uncertain income tax positions and contingencies. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the financial statements in any individual year. However, in regard to ongoing impairment testing of goodwill and indefinite-lived intangible assets, significant deterioration in future cash flow projections or other assumptions used in estimating fair values versus those anticipated at the time of the initial valuations, could result in impairment charges that materially affect the financial statements in a given year.

Revenue Recognition

Our revenue is primarily generated from the sale of finished product to customers. Those sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, which can be on the date of shipment or the date of receipt by the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized. The revenue recorded is presented net of sales and other taxes we collect on behalf of governmental authorities. The revenue includes shipping and handling costs, which generally are included in the list price to the customer.

Trade promotions, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of trade promotion spending, which is recognized as incurred at the time of the sale. Most of these arrangements have terms of approximately one year. Accruals for expected payouts under these programs are included as accrued marketing and promotion in the Accrued and other liabilities line item in the Consolidated Balance Sheets.

Cost of Products Sold

Cost of products sold is primarily comprised of direct materials and supplies consumed in the manufacturing of product, as well as manufacturing labor, depreciation expense and direct overhead expenses necessary to acquire and convert the purchased materials and supplies into finished products. Cost of products sold also includes the cost to distribute products to customers, inbound freight costs, internal transfer costs, warehousing costs and other shipping and handling activity.

Selling, General and Administrative Expense

Selling, general and administrative expense (SG&A) is primarily comprised of marketing expenses, selling expenses, research and development costs, administrative and other indirect overhead costs, depreciation and amortization expense on non-manufacturing assets and other miscellaneous operating items. Research and development costs are charged to expense as incurred and were $1.9 billion in 2021, $1.8 billion in 2020 and $1.9 billion in 2019. Advertising costs, charged to expense as incurred, include worldwide television, print, radio, internet and in-store advertising expenses and were $8.2 billion in 2021, $7.3 billion in 2020 and $6.8 billion in 2019. Non-advertising related components of the Company's total marketing spending reported in SG&A include costs associated with consumer promotions, product sampling and sales aids.

Other Non-Operating Income, Net

Other non-operating income, net primarily includes net acquisition and divestiture gains, net non-service costs related to defined benefit plans, investment income and other non-operating items.

Currency Translation

Financial statements of operating subsidiaries outside the U.S. generally are measured using the local currency as the functional currency. Adjustments to translate those statements into U.S. dollars are recorded in Other comprehensive income (OCI). For subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Re-measurement adjustments for financial statements in highly inflationary economies and other transactional exchange gains and losses are reflected in earnings.

Cash Flow Presentation

The Consolidated Statements of Cash Flows are prepared using the indirect method, which reconciles net earnings to cash flows from operating activities. Cash flows from foreign currency transactions and operations are translated at monthly exchange rates for each period. Cash flows from hedging activities are included in the same category as the items being hedged. Cash flows from derivative instruments designated as net investment hedges are classified as financing activities. Realized gains and losses from non-qualifying derivative instruments used to hedge currency exposures resulting from intercompany financing transactions are also classified as financing activities. Cash flows from other derivative instruments used to manage interest rates, commodity or other currency exposures are classified as operating activities. Cash payments related to income taxes are classified as operating activities.

Investments

The Company holds minor equity investments in certain companies over which we exert significant influence, but do not control the financial and operating decisions. These are accounted for as equity method investments. Other equity investments that are not controlled, and over which we do not have the ability to exercise significant influence, and for which there is a readily determinable market value, are recorded at fair value, with gains and losses recorded through net earnings. Equity investments without readily determinable fair values are measured at cost, less impairments, plus or minus observable price changes. Equity investments are included as Other noncurrent assets in the Consolidated Balance Sheets.

In addition to equity investments, we have historically held other investment securities, primarily consisting of readily marketable debt securities. Unrealized gains or losses from debt securities classified as trading, if any, are charged to earnings. Unrealized gains on debt securities classified as available-for-sale are recorded in OCI. Unrealized losses on available-for-sale debt securities are charged to either earnings or OCI depending on our intent and ability to retain the security until we recover the full cost basis and the extent of the loss attributable to the creditworthiness of the issuer. Debt securities are included as Prepaid expenses and other current assets and Other noncurrent assets in the Consolidated Balance Sheets.

The Company also holds highly-liquid investments, including treasury bills, commercial paper, U.S. and foreign government securities and money market funds with original maturity dates of three months or less. Such investments are considered cash equivalents and are included within Cash and cash equivalents in the Consolidated Balance Sheets.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable value. Product-related inventories are maintained on the first-in, first-out method. The cost of spare part inventories is maintained using the average-cost method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized over the assets' estimated useful lives using the straight-line method. Machinery and equipment includes office furniture and fixtures (15-year life), computer equipment and capitalized software (3- to 5-year lives) and manufacturing equipment (3- to 20-year lives). Buildings are depreciated over an estimated useful life of 40 years. Estimated useful lives are periodically reviewed and, when appropriate, changes are made prospectively. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment testing of goodwill is performed separately from our impairment testing of indefinite-lived intangible assets.

We have acquired brands that have been determined to have indefinite lives. We evaluate a number of factors to determine whether an indefinite life is appropriate, including the competitive environment, market share, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the brands are sold. In addition, when certain events or changes in operating conditions occur, an additional impairment assessment is performed and indefinite-lived assets may be adjusted to a determinable life.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Patents, technology and other intangible assets with contractual terms are generally amortized over their respective legal or contractual lives. Customer relationships, brands and other non-contractual intangible assets with determinable lives are amortized over periods generally ranging from 5 to 30 years. When certain events or changes in operating conditions occur, an impairment assessment is performed and remaining lives of intangible assets with determinable lives may be adjusted.

For additional details on goodwill and intangible assets see Note 4.

Fair Values of Financial Instruments

Certain financial instruments are required to be recorded at fair value. Changes in assumptions or estimation methods could affect the fair value estimates; however, we do not believe any such changes would have a material impact on our financial condition, results of operations or cash flows. Other financial instruments, including cash equivalents, certain investments and certain short-term debt, are recorded at cost, which approximates fair value. The fair values of long-term debt and financial instruments are disclosed in Note 9.

New Accounting Pronouncements and Policies

On July 1, 2020, we adopted ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the estimated fair value of the specified reporting units in their entirety. This eliminated the second step of the previous impairment model that required companies to first estimate the fair value of all assets in a reporting unit and measure impairments based on those estimated fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The impact of the new standard will depend on the specific facts and circumstances of future individual impairments, if any.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts and other transactions affected by reference rate reform if certain criteria are met and to hedging relationships, including derivative instruments, if there is a change to the interest rates used for discounting, margining or contract price alignment. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating our contracts and the optional expedients provided by the new standard.

No other new accounting pronouncements issued or effective during the fiscal year or in future years had, or are expected to have, a material impact on our Consolidated Financial Statements.

NOTE 2

SEGMENT INFORMATION

Under U.S. GAAP, our operating segments are aggregated into five reportable segments: 1) Beauty, 2) Grooming, 3) Health Care, 4) Fabric & Home Care and 5) Baby, Feminine & Family Care. Our five reportable segments are comprised of:

- *Beauty*: Hair Care (Conditioner, Shampoo, Styling Aids, Treatments); Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care);
- *Grooming*: Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Appliances
- *Health Care*: Oral Care (Toothbrushes, Toothpaste, Other Oral Care); Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Pain Relief, Other Personal Health Care);
- *Fabric & Home Care*: Fabric Care (Fabric Enhancers, Laundry Additives, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care); and
- *Baby, Feminine & Family Care*: Baby Care (Baby Wipes, Taped Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper).

While none of our reportable segments are highly seasonal, components within certain reportable segments, such as Appliances (Grooming) and Personal Health Care (Health), are seasonal.

The accounting policies of the segments are generally the same as those described in Note 1. Differences between these policies and U.S. GAAP primarily reflect income taxes, which are reflected in the segments using applicable blended statutory rates. Adjustments to arrive at our effective tax rate are included in Corporate. In addition, capital expenditures in the segments are on an accrual basis consistent with the balance sheet. Adjustments to move from an accrual to cash basis, for purposes of the cash flow statement, are reflected in Corporate.

Corporate includes certain operating and non-operating activities that are not reflected in the operating results used internally to measure and evaluate the businesses, as well as items to adjust management reporting principles to U.S. GAAP. Operating activities in Corporate include the results of incidental businesses managed at the corporate level. Operating elements also include certain employee benefit costs, the costs of certain restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization, certain significant asset impairment charges and other general Corporate items. The non-operating elements in Corporate primarily include interest expense, certain pension and other postretirement benefit costs, certain acquisition and divestiture gains, interest and investing income and other financing costs.

Total assets for the reportable segments include those assets managed by the reportable segment, primarily inventory, fixed assets and intangible assets. Other assets, primarily cash, accounts receivable, investment securities and goodwill, are included in Corporate.

Our operating segments are comprised of similar product categories. Operating segments that individually accounted for 5% or more of consolidated net sales are as follows:

% of Net sales by operating segment [1]

Years ended June 30	2021	2020	2019
Fabric Care	**22%**	22%	22%
Home Care	**12%**	11%	10%
Baby Care	**10%**	11%	12%
Skin and Personal Care	**10%**	10%	10%
Hair Care	**9%**	9%	10%
Family Care	**9%**	9%	9%
Oral Care	**8%**	8%	8%
Shave Care	**7%**	7%	8%
Feminine Care	**6%**	6%	6%
Personal Health Care	**5%**	5%	4%
All Other	*2%*	*2%*	*1%*
TOTAL	**100%**	100%	100%

(1) % of Net sales by operating segment excludes sales held in Corporate.

Net sales and long-lived assets in the United States and internationally were as follows (in billions):

Years ended June 30	2021	2020	2019
NET SALES			
United States	**$ 33.7**	$ 31.3	$ 28.6
International	**$ 42.4**	$ 39.7	$ 39.1
LONG-LIVED ASSETS [1]			
United States	**$ 10.1**	$ 9.9	$ 10.0
International	**$ 11.6**	$ 10.8	$ 11.3

(1) Long-lived assets consists of property, plant and equipment.

No country, other than the United States, exceeds 10% of the Company's consolidated net sales or long-lived assets.

Our largest customer, Walmart Inc. and its affiliates, accounted for consolidated net sales of approximately 15% in 2021, 2020 and 2019. No other customer represents more than 10% of our consolidated net sales.

Global Segment Results		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings /(Loss)	Depreciation and Amortization	Total Assets	Capital Expenditures
BEAUTY	**2021**	**$ 14,417**	**$ 4,018**	**$ 3,210**	**$ 333**	**$ 5,587**	**$ 386**
	2020	13,359	3,437	2,737	320	5,531	397
	2019	12,897	3,282	2,637	272	5,362	634
GROOMING	**2021**	**6,440**	**1,728**	**1,427**	**378**	**20,668**	**291**
	2020	6,069	1,613	1,329	406	20,589	305
	2019	6,199	1,777	1,529	429	20,882	367
HEALTH CARE	**2021**	**9,956**	**2,398**	**1,851**	**372**	**7,976**	**364**
	2020	9,028	2,156	1,652	350	7,726	338
	2019	8,218	1,984	1,519	294	7,708	363
FABRIC & HOME CARE	**2021**	**26,014**	**5,986**	**4,622**	**646**	**8,334**	**1,006**
	2020	23,735	5,426	4,154	605	7,745	887
	2019	22,080	4,601	3,518	557	7,620	984
BABY, FEMININE & FAMILY CARE	**2021**	**18,850**	**4,723**	**3,629**	**846**	**8,666**	**814**
	2020	18,364	4,534	3,465	839	8,628	764
	2019	17,806	3,593	2,734	861	9,271	819
CORPORATE [1]	**2021**	**441**	**(1,238)**	**(387)**	**160**	**68,076**	**(74)**
	2020	395	(1,332)	(234)	493	70,481	382
	2019	484	(9,168)	(7,971)	411	64,252	180
TOTAL COMPANY	**2021**	**$ 76,118**	**$ 17,615**	**$ 14,352**	**$ 2,735**	**$119,307**	**$ 2,787**
	2020	70,950	15,834	13,103	3,013	120,700	3,073
	2019	67,684	6,069	3,966	2,824	115,095	3,347

(1) The Corporate reportable segment includes the $8.3 billion non-cash before-tax ($8.0 billion after-tax) goodwill and intangible asset impairment charge in fiscal 2019. For additional details on goodwill and intangible assets see Note 4.

NOTE 3

SUPPLEMENTAL FINANCIAL INFORMATION

The components of property, plant and equipment were as follows:

As of June 30	2021	2020
PROPERTY, PLANT AND EQUIPMENT		
Buildings	**$ 8,165**	$ 7,700
Machinery and equipment	**35,367**	33,260
Land	**808**	777
Construction in progress	**2,358**	2,034
TOTAL PROPERTY, PLANT AND EQUIPMENT	**46,698**	43,771
Accumulated depreciation	**(25,012)**	(23,079)
PROPERTY, PLANT AND EQUIPMENT, NET	**$ 21,686**	$ 20,692

Selected components of current and noncurrent liabilities were as follows:

As of June 30	2021	2020
ACCRUED AND OTHER LIABILITIES - CURRENT		
Marketing and promotion	**$ 4,140**	$ 3,531
Compensation expenses	**2,145**	1,921
Taxes payable	**637**	693
Restructuring reserves	**278**	472
Leases	**219**	239
Other	**3,104**	2,866
TOTAL	**$ 10,523**	$ 9,722
OTHER NONCURRENT LIABILITIES		
Pension benefits	**$ 5,452**	$ 6,223
U.S. Tax Act transitional tax payable	**1,891**	2,121
Other retiree benefits	**922**	965
Uncertain tax positions	**794**	580
Long term operating leases	**631**	652
Other	**579**	569
TOTAL	**$ 10,269**	$ 11,110

RESTRUCTURING PROGRAM

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from $250 to $500 annually. In fiscal 2012, the Company initiated an incremental restructuring program (covering fiscal 2012 through 2017) as part of a productivity and cost savings plan to accelerate cost reductions in the areas of supply chain, research and development, marketing activities and overhead expenses.

In fiscal 2017, the Company announced specific elements of an incremental multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expense, which resulted in incremental restructuring charges through fiscal 2020. For fiscal 2021, restructuring charges were in line with our historical ongoing program.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. Employee separation costs relate to severance packages that are primarily voluntary and the amounts calculated are based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer. Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or for disposal. These assets are written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges. Other restructuring-type charges primarily include asset removal and termination of contracts related to supply chain and overhead optimization. The Company incurred total restructuring charges of $330 and $782 for the years ended June 30, 2021 and 2020. Of the charges incurred for fiscal year 2021, $176 were recorded in SG&A, $134 in Costs of products sold, and $20 in Other non-operating income, net. Of the charges incurred in fiscal year 2020, $155 were recorded in SG&A, $614 in Costs of products sold, and $13 in Other non-operating income, net. The following table presents restructuring activity for the years ended June 30, 2021 and 2020:

	Separations	Asset-Related Costs	Other	Total
RESERVE JUNE 30, 2019	$ 280	$ —	$ 188	$ 468
Cost incurred and charged to expense	221	372	189	782
Cost paid/settled	(216)	(372)	(190)	(778)
RESERVE JUNE 30, 2020	285	—	187	472
Cost incurred and charged to expense	**127**	**24**	**179**	**330**
Cost paid/settled	**(236)**	**(24)**	**(264)**	**(524)**
RESERVE JUNE 30, 2021	**$ 176**	**$ —**	**$ 102**	**$ 278**

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges are included within the Corporate reportable segment.

However, for information purposes, the following table summarizes the total restructuring costs related to our reportable segments:

Years ended June 30	2021	2020	2019
Beauty	**$ 13**	$ 54	$ 49
Grooming	**25**	102	65
Health Care	**51**	136	23
Fabric & Home Care	**22**	75	84
Baby, Feminine & Family Care	**29**	192	226
Corporate [1]	**190**	223	307
Total Company	**$ 330**	$ 782	$ 754

[1] Corporate includes costs related to allocated overheads, including charges related to our Enterprise Markets, Global Business Services and Corporate Functions activities.

NOTE 4

GOODWILL AND INTANGIBLE ASSETS

The change in the net carrying amount of goodwill by reportable segment was as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Total Company
BALANCE AT JUNE 30, 2019 - NET [1]	$ 12,985	$ 12,881	$ 7,972	$ 1,855	$ 4,580	$ 40,273
Acquisitions and divestitures	(1)	—	(46)	—	5	(42)
Translation and other	(82)	(66)	(140)	(14)	(28)	(330)
BALANCE AT JUNE 30, 2020 - NET [1]	12,902	12,815	7,786	1,841	4,557	39,901
Acquisitions and divestitures	**—**	**—**	**16**	**—**	**—**	**16**
Translation and other	**355**	**280**	**244**	**32**	**96**	**1,007**
BALANCE AT JUNE 30, 2021 - NET [1]	**$ 13,257**	**$ 13,095**	**$ 8,046**	**$ 1,873**	**$ 4,653**	**$ 40,924**

[1] Grooming goodwill balance is net of $7.9 billion accumulated impairment losses.

Goodwill and indefinite-lived intangibles are tested for impairment at least annually by comparing the estimated fair values of our reporting units and underlying indefinite-lived intangible assets to their respective carrying values. We typically use an income method to estimate the fair value of these assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates and profitability). Estimates utilized in the projected cash flows include consideration of macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion, Company business plans, the underlying product or technology life cycles, economic barriers to entry, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

We believe the estimates and assumptions utilized in our impairment testing are reasonable and are comparable to those that would be used by other marketplace participants. However, actual events and results could differ substantially from those used in our valuations. To the extent such factors result in a failure to achieve the level of projected cash flows initially used to estimate fair value for purposes of establishing or subsequently impairing the carrying amount of goodwill and related intangible assets, we may need to record additional non-cash impairment charges in the future.

Goodwill increased during fiscal 2021 driven by a minor brand acquisition in the Health Care reportable segment and currency translation across all reportable segments.

Goodwill decreased in fiscal 2020 primarily due to opening balance sheet adjustments from the fiscal 2019 acquisition of the over-the-counter (OTC) healthcare business of Merck KGaA (Merck OTC) in the Health Care reportable segment (see Note 14) and currency translation across all reportable segments.

During fiscal 2019, we determined that the estimated fair value of our Shave Care reporting unit was less than its carrying value. We also determined that the estimated fair value of the Gillette indefinite-lived intangible asset was less than its carrying value. As a result, we recorded non-cash

impairment charges for both assets. These reductions were due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar, a deceleration of category growth caused by changing grooming habits, primarily in the developed markets, and an increased competitive market environment in the U.S. and certain other markets, which collectively resulted in reduced cash flow projections. A non-cash, before and after-tax impairment charge of $6.8 billion was recognized to reduce the carrying amount of goodwill for the Shave Care reporting unit. Additionally, a non-cash, before-tax impairment charge of $1.6 billion ($1.2 billion after-tax) was recognized to reduce the carrying amount of the Gillette indefinite-lived intangible asset to its estimated fair value as of June 30, 2019.

Identifiable intangible assets were comprised of:

	2021		2020	
As of June 30	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
INTANGIBLE ASSETS WITH DETERMINABLE LIVES				
Brands	**$ 3,908**	**$ (2,546)**	$ 3,820	$ (2,347)
Patents and technology	**2,781**	**(2,575)**	2,776	(2,513)
Customer relationships	**1,789**	**(882)**	1,752	(778)
Other	**150**	**(97)**	143	(92)
TOTAL	**$ 8,628**	**$ (6,100)**	$ 8,491	$ (5,730)
INTANGIBLE ASSETS WITH INDEFINITE LIVES				
Brands	**21,114**	**—**	21,031	—
TOTAL	**$ 29,742**	**$ (6,100)**	$ 29,522	$ (5,730)

Amortization expense of intangible assets was as follows:

Years ended June 30	2021	2020	2019
Intangible asset amortization	**$ 318**	$ 360	$ 349

Estimated amortization expense over the next five fiscal years is as follows:

Years ending June 30	2022	2023	2024	2025	2026
Estimated amortization expense	$ 301	$ 289	$ 277	$ 259	$ 243

NOTE 5

INCOME TAXES

Income taxes are recognized for the amount of taxes payable for the current year and for the impact of deferred tax assets and liabilities, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. Deferred tax assets and liabilities are established using the enacted statutory tax rates and are adjusted for any changes in such rates in the period of change.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the U.S. Tax Act). The Global Intangible Low-Taxed Income (GILTI) provision of the U.S. Tax Act requires the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. An accounting policy election is available to account for the tax effects of GILTI either as a current period expense when incurred, or to recognize deferred taxes for book and tax basis differences expected to reverse as GILTI in future years. We have elected to account for the tax effects of GILTI as a current period expense when incurred.

Earnings before income taxes consisted of the following:

Years ended June 30	2021	2020	2019
United States	**$10,858**	$10,338	$ 1,659
International	**6,757**	5,496	4,410
TOTAL	**$17,615**	$15,834	$ 6,069

Income taxes consisted of the following:

Years ended June 30	2021	2020	2019
CURRENT TAX EXPENSE			
U.S. federal	**$ 1,663**	$ 1,266	$ 1,064
International	**1,534**	1,769	1,259
U.S. state and local	**324**	292	191
TOTAL	**3,521**	3,327	2,514
DEFERRED TAX EXPENSE/(BENEFIT)			
U.S. federal	**(65)**	39	(296)
International and other	**(193)**	(635)	(115)
TOTAL	**(258)**	(596)	(411)
TOTAL TAX EXPENSE	**$ 3,263**	$ 2,731	$ 2,103

A reconciliation of the U.S. federal statutory income tax rate to our actual effective income tax rate is provided below:

Years ended June 30	2021	2020	2019
U.S. federal statutory income tax rate	**21.0 %**	21.0 %	21.0 %
Country mix impacts of foreign operations	**(0.5)%**	(0.1)%	(0.5)%
State income taxes, net of federal benefit	**1.3 %**	1.4 %	2.6 %
Excess tax benefits from the exercise of stock options	**(1.6)%**	(1.6)%	(3.8)%
Tax benefit from simplification of legal entity structure	**— %**	(1.4)%	— %
Foreign derived intangible income deduction (FDII)	**(1.0)%**	(1.0)%	(2.2)%
Changes in uncertain tax positions	**(0.1)%**	0.1 %	(0.3)%
Goodwill impairment	**— %**	— %	22.8 %
Other	**(0.6)%**	(1.2)%	(4.9)%
EFFECTIVE INCOME TAX RATE	**18.5 %**	17.2 %	34.7 %

Country mix impacts of foreign operations includes the effects of foreign subsidiaries' earnings taxed at rates other than the U.S. statutory rate, the U.S. tax impacts of non-U.S. earnings repatriation and any net impacts of intercompany transactions. Changes in uncertain tax positions represent changes in our net liability related to prior year tax positions. Excess tax benefits from the exercise of stock options reflect the excess of actual tax benefits received on employee exercises of stock options and other share-based payments (which generally equals the income taxable to the employee) over the amount of tax benefits that were calculated and recognized based on the grant date fair values of such instruments.

Tax costs charged to shareholders' equity totaled $215 for the year ended June 30, 2021. This primarily relates to the tax effects of certain adjustments to pension obligations recorded in in shareholders' equity, partially offset by the tax effects of net investment hedges. Tax benefits credited to shareholders' equity totaled $18 for the year ended June 30, 2020. This primarily relates to the tax effects of certain adjustments to pension obligations and unrealized foreign exchange losses recorded in shareholders' equity, partially offset by the tax effects of net investment hedges.

Prior to the passage of the U.S. Tax Act, the Company asserted that substantially all of the undistributed earnings of its foreign subsidiaries were considered indefinitely invested and accordingly, no deferred taxes were provided. Pursuant to the provisions of the U.S. Tax Act, these earnings were subjected to a one-time transition tax. This charge included taxes for all U.S. income taxes and for the related foreign withholding taxes for the portion of those earnings which are no longer considered indefinitely invested. We have not provided deferred taxes on approximately $21 billion of earnings that are considered permanently reinvested.

A reconciliation of the beginning and ending liability for uncertain tax positions is as follows:

Years ended June 30	2021	2020	2019
BEGINNING OF YEAR	**$ 485**	$ 466	$ 470
Increases in tax positions for prior years	**157**	60	85
Decreases in tax positions for prior years	**(34)**	(21)	(94)
Increases in tax positions for current year	**60**	82	71
Settlements with taxing authorities	**(26)**	(83)	(37)
Lapse in statute of limitations	**(24)**	(12)	(27)
Currency translation	**9**	(7)	(2)
END OF YEAR	**$ 627**	$ 485	$ 466

Included in the total liability for uncertain tax positions at June 30, 2021 is $408 that, depending on the ultimate resolution, could impact the effective tax rate in future periods.

The Company is present in approximately 70 countries and over 150 taxable jurisdictions and, at any point in time, has 40-50 jurisdictional audits underway at various stages of completion. We evaluate our tax positions and establish liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite our belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law and the closing of statutes of limitation. Such adjustments are reflected in the tax provision as appropriate. We have tax years open ranging from 2008 and forward. We are generally not able to reliably estimate the ultimate settlement amounts until the close of the audit. Based on information currently available, we anticipate that over the next 12-month period, audit activity could be completed related to uncertain tax positions in multiple jurisdictions for which we have accrued existing liabilities of approximately $10, including interest and penalties.

We recognize the additional accrual of any possible related interest and penalties relating to the underlying uncertain tax position in income tax expense. As of June 30, 2021, 2020 and 2019, we had accrued interest of $166, $141 and $133 and accrued penalties of $10, $17 and $17, respectively, which are not included in the above table. During the fiscal years ended June 30, 2021, 2020 and 2019, we recognized $38, $39 and $40 in interest expense and $6, $1 and $2 in penalties expense, respectively.

Deferred income tax assets and liabilities were comprised of the following:

As of June 30	2021	2020
DEFERRED TAX ASSETS		
Pension and other retiree benefits	**$ 1,476**	$ 1,602
Loss and other carryforwards	**1,030**	875
Accrued marketing and promotion	**424**	353
Stock-based compensation	**386**	398
Capitalized research & development	**358**	—
Fixed assets	**223**	218
Lease liabilities	**196**	190
Unrealized loss on financial and foreign exchange transactions	**109**	64
Inventory	**31**	27
Accrued interest and taxes	**22**	20
Other	**878**	829
Valuation allowances	**(569)**	(486)
TOTAL	**$ 4,564**	**$ 4,090**

DEFERRED TAX LIABILITIES		
Goodwill and intangible assets	**$ 5,761**	$ 5,775
Fixed assets	**1,512**	1,485
Lease right-of-use assets	**191**	185
Unrealized gain on financial and foreign exchange transactions	**111**	169
Foreign withholding tax on earnings to be repatriated	**108**	118
Other retiree benefits	**645**	265
Other	**175**	101
TOTAL	**$ 8,503**	$ 8,098

Net operating loss carryforwards were $3.0 billion at June 30, 2021 and $2.9 billion at June 30, 2020. If unused, approximately $900 will expire between 2021 and 2040. The remainder, totaling $2.1 billion at June 30, 2021, may be carried forward indefinitely.

NOTE 6

EARNINGS PER SHARE

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends by the weighted average number of common shares outstanding during the year. For fiscal years 2021 and 2020, Diluted net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble by the diluted weighted average number of common shares outstanding during the year. The diluted shares include the dilutive effect of stock options and other stock-based awards based on the treasury stock method (see Note 7) and the assumed conversion of preferred stock (see Note 8).

For fiscal year 2019, Diluted net earnings per common share do not include the assumed conversion of preferred stock because to do so would have been antidilutive, due to the lower Net earnings driven by the Shave Care impairment charges (see Note 4). Therefore, Diluted net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends by the diluted weighted average number of common shares outstanding during the year. The diluted shares include the dilutive effect of stock options and other stock-based awards based on the treasury stock method.

Net earnings per share were calculated as follows:

Years ended June 30	2021	2020	2019
CONSOLIDATED AMOUNTS			
Net earnings	**$ 14,352**	$ 13,103	$ 3,966
Less: Net earnings attributable to noncontrolling interests	**46**	76	69
Net earnings attributable to P&G	**14,306**	13,027	3,897
Less: Preferred dividends	**271**	263	263
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 14,035**	$ 12,764	$ 3,634
Net earnings attributable to P&G available to common shareholders (Diluted)	**$ 14,306**	$ 13,027	$ 3,634
SHARES IN MILLIONS			
Basic weighted average common shares outstanding	**2,465.8**	2,487.1	2,503.6
Add: Effect of dilutive securities			
Stock options and other unvested equity awards [1]	**52.5**	52.7	35.9
Convertible preferred shares [2]	**82.7**	86.0	—
Diluted weighted average common shares outstanding	**2,601.0**	2,625.8	2,539.5
NET EARNINGS PER SHARE [3]			
Basic	**$ 5.69**	$ 5.13	$ 1.45
Diluted	**$ 5.50**	$ 4.96	$ 1.43

(1) Excludes 9 million, 6 million and 13 million in 2021, 2020 and 2019, respectively, of weighted average stock options outstanding because the exercise price of these options was greater than their average market value or their effect was antidilutive.

(2) See an overview of the preferred shares in Note 8. In fiscal year 2019, preferred shares exclude 90 million because to do so would have been antidilutive, due to lower Net earnings driven by the Shave Care impairment charges (see Note 4).

(3) Net earnings per share are calculated on Net earnings attributable to Procter & Gamble.

NOTE 7

STOCK-BASED COMPENSATION

The Company has two primary stock-based compensation programs under which we annually grant stock option, restricted stock unit (RSU) and performance stock unit (PSU) awards to key managers and directors.

In our main long-term incentive program, key managers can elect to receive options or RSUs. All options vest after three years and have a 10-year life. Exercise prices on options are set equal to the market price of the underlying shares on the date of the grant. Effective in fiscal year 2017, RSUs vest and settle in shares of common stock three years from the grant date. RSUs granted prior to fiscal year 2017 vest and settle in shares of common stock five years from the grant date.

Senior-level executives participate in an additional long-term incentive program that awards PSUs, which are paid in shares after the end of a three-year performance period subject to pre-established performance goals. Effective for fiscal year 2019, we added a Relative Total Shareholder Return (R-TSR) modifier to the PSUs, under which the number of shares ultimately granted is also impacted by the Company's actual shareholder return relative to our consumer products competitive peer set.

In addition to these long-term incentive programs, we award RSUs to the Company's non-employee directors and make other minor stock option and RSU grants to employees for which the terms are not substantially different from our long-term incentive awards.

A total of 150 million shares of common stock were newly authorized for issuance under the stock-based compensation plan approved by shareholders in 2019. A total of 144 million shares remain available for grant under the 2019 plan.

The Company recognizes stock-based compensation expense based on the fair value of the awards at the date of grant. The fair value is amortized on a straight-line basis over the requisite service period. Awards to employees eligible for retirement prior to the award becoming fully vested are recognized as compensation expense from the grant date through the date the employee first becomes eligible to retire and/or is no longer required to provide services to earn the award. Stock-based compensation expense is included as part of Cost of products sold and SG&A in the Consolidated Statement of Earnings and includes an estimate of forfeitures, which is based on historical data. Total expense and related tax benefit were as follows:

Years ended June 30	2021	2020	2019
Stock options	**$ 279**	$ 249	$ 246
RSUs and PSUs	**261**	309	269
Total stock-based expense	**$ 540**	$ 558	$ 515
Income tax benefit	**$ 102**	$ 97	$ 101

We utilize an industry standard lattice-based valuation model to calculate the fair value for stock options granted. Assumptions utilized in the model, which are evaluated and revised to reflect market conditions and experience, were as follows:

Years ended June 30	2021	2020	2019
Interest rate	**0.1 - 0.7 %**	1.1 - 1.4 %	2.5 - 2.7 %
Weighted average interest rate	**0.6 %**	1.3 %	2.6 %
Dividend yield	**2.4 %**	2.4 %	3.0 %
Expected volatility	**20 %**	17 %	17 %
Expected life in years	**9.2**	9.2	9.2

Lattice-based option valuation models incorporate ranges of assumptions for inputs and those ranges are disclosed in the preceding table. Expected volatilities are based on a combination of historical volatility of our stock and implied volatilities of call options on our stock. We use historical data to estimate option exercise and employee termination patterns within the valuation model. The expected life of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of options outstanding under the plans as of June 30, 2021 and activity during the year then ended is presented below:

Options	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Contract-ual Life in Years	Aggregate Intrinsic Value
Outstanding, beginning of year	149,872	$ 84.71		
Granted	**12,133**	**139.05**		
Exercised	**(23,102)**	**73.72**		
Forfeited/expired	**(631)**	**106.72**		
OUTSTANDING, END OF YEAR	**138,272**	**$ 91.24**	**5.4**	**$ 6,098**
EXERCISABLE	**99,177**	**$ 81.47**	**4.1**	**$ 5,302**

The following table provides additional information on stock options:

Years ended June 30	2021	2020	2019
Weighted average grant-date fair value of options granted	**$ 20.94**	$ 15.60	$ 13.60
Intrinsic value of options exercised	**1,401**	1,455	1,770
Grant-date fair value of options that vested	**236**	217	180
Cash received from options exercised	**1,705**	2,019	3,381
Actual tax benefit from options exercised	**292**	298	221

At June 30, 2021, there was $169 of compensation cost that has not yet been recognized related to stock option grants. That cost is expected to be recognized over a remaining weighted average period of 1.6 years.

A summary of non-vested RSUs and PSUs outstanding under the plans as of June 30, 2021 and activity during the year then ended is presented below:

	RSUs		PSUs	
RSU and PSU awards	Units (in thousands)	Weighted Average Grant Date Fair Value	Units (in thousands)	Weighted Average Grant Date Fair Value
Non-vested at July 1, 2020	4,498	$ 92.15	1,048	$ 117.02
Granted	**1,274**	**137.71**	**472**	**152.04**
Vested	**(2,445)**	**85.40**	**(529)**	**106.66**
Forfeited	**(90)**	**108.30**	**(20)**	**140.88**
Non-vested at June 30, 2021	**3,237**	**$ 114.68**	**971**	**$ 135.24**

At June 30, 2021, there was $229 of compensation cost that has not yet been recognized related to RSUs and PSUs. That cost is expected to be recognized over a remaining weighted average period of 1.6 years. The total grant date fair value of shares vested was $266, $264 and $205 in 2021, 2020 and 2019, respectively.

The Company settles equity issuances with treasury shares. We have no specific policy to repurchase common shares to mitigate the dilutive impact of options, RSUs and PSUs. However, we have historically made adequate discretionary purchases, based on cash availability, market trends and other factors, to offset the impacts of such activity.

NOTE 8

POSTRETIREMENT BENEFITS AND EMPLOYEE STOCK OWNERSHIP PLAN

We offer various postretirement benefits to our employees.

Defined Contribution Retirement Plans

We have defined contribution plans, which cover the majority of our U.S. employees, as well as employees in certain other countries. These plans are fully funded. We generally make contributions to participants' accounts based on individual base salaries and years of service. Total global defined contribution expense was $340, $317 and $272 in 2021, 2020 and 2019, respectively.

The primary U.S. defined contribution plan (the U.S. DC plan) comprises the majority of the expense for the Company's defined contribution plans. For the U.S. DC plan, the contribution rate is set annually. Total contributions for this plan approximated 14% of total participants' annual wages and salaries in 2021, 2020 and 2019.

We maintain The Procter & Gamble Profit Sharing Trust (Trust) and Employee Stock Ownership Plan (ESOP) to provide a portion of the funding for the U.S. DC plan and other retiree benefits (described below). Operating details of the ESOP are provided at the end of this Note. The fair value of the ESOP Series A shares allocated to participants

reduces our cash contribution required to fund the U.S. DC plan.

Defined Benefit Retirement Plans and Other Retiree Benefits

We offer defined benefit retirement pension plans to certain employees. These benefits relate primarily to plans outside the U.S. and, to a lesser extent, plans assumed in previous acquisitions covering U.S. employees.

We also provide certain other retiree benefits, primarily health care benefits for the majority of our U.S. employees who become eligible for these benefits when they meet minimum age and service requirements. Generally, the health care plans require cost sharing with retirees and pay a stated percentage of expenses, reduced by deductibles and other coverages. These benefits are primarily funded by ESOP Series B shares and certain other assets contributed by the Company.

Obligation and Funded Status. The following provides a reconciliation of benefit obligations, plan assets and funded status of these defined benefit plans:

	Pension Benefits [1]		Other Retiree Benefits [2]	
Years ended June 30	2021	2020	2021	2020
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year [3]	**$ 17,761**	$ 17,037	**$ 4,770**	$ 4,964
Service cost	**275**	247	**94**	100
Interest cost	**240**	276	**114**	160
Participants' contributions	**13**	11	**76**	74
Amendments	**34**	3	**—**	(136)
Net actuarial loss/(gain)	**(466)**	951	**(678)**	(85)
Special termination benefits	**17**	11	**2**	2
Currency translation and other	**1,220**	(218)	**64**	(64)
Benefit payments	**(625)**	(557)	**(236)**	(245)
BENEFIT OBLIGATION AT END OF YEAR [3]	**$ 18,469**	$ 17,761	**$ 4,206**	$ 4,770
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	**$ 11,484**	$ 11,382	**$ 5,618**	$ 5,096
Actual return on plan assets	**1,058**	664	**879**	595
Employer contributions	**202**	180	**34**	33
Participants' contributions	**13**	11	**76**	74
Currency translation and other	**909**	(196)	**2**	2
ESOP debt impacts [4]	**—**	—	**71**	63
Benefit payments	**(625)**	(557)	**(236)**	(245)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**$ 13,041**	$ 11,484	**$ 6,444**	$ 5,618
FUNDED STATUS	**$ (5,428)**	$ (6,277)	**$ 2,238**	$ 848

(1) Primarily non-U.S.-based defined benefit retirement plans.

(2) Primarily U.S.-based other postretirement benefit plans.

(3) For the pension benefit plans, the benefit obligation is the projected benefit obligation. For other retiree benefit plans, the benefit obligation is the accumulated postretirement benefit obligation.

(4) Represents the net impact of ESOP debt service requirements, which is netted against plan assets for other retiree benefits. The original borrowing of the ESOP debt was fully repaid in 2021.

The actuarial gain for pension plans in 2021 was primarily related to increases in discount rates, partially offset by unfavorable actuarial assumptions, including inflation assumptions. The actuarial gain for other retiree benefits in 2021 was primarily related to favorable medical cost trends. The actuarial loss for pension plans in 2020 was primarily related to decreases in discount rates. The actuarial gain for other retiree benefits in 2020 was primarily related to favorable updates to mortality tables and favorable medical cost trends, largely offset by decreases in discount rates.

The underfunding of pension benefits is primarily a function of the different funding incentives that exist outside of the U.S. In certain countries, there are no legal requirements or financial incentives provided to companies to pre-fund pension obligations prior to their due date. In these instances, benefit payments are typically paid directly from the Company's cash as they become due.

	Pension Benefits		Other Retiree Benefits	
As of June 30	2021	2020	2021	2020
CLASSIFICATION OF NET AMOUNT RECOGNIZED				
Noncurrent assets	**$ 88**	$ 12	**$ 3,193**	$ 1,843
Current liabilities	**(64)**	(66)	**(33)**	(30)
Noncurrent liabilities	**(5,452)**	(6,223)	**(922)**	(965)
NET AMOUNT RECOGNIZED	**$ (5,428)**	$ (6,277)	**$ 2,238**	$ 848
AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE (INCOME)/LOSS (AOCI)				
Net actuarial loss/(gain)	**$ 4,869**	$ 5,662	**$ (504)**	$ 572
Prior service cost/(credit)	**198**	198	**(471)**	(511)
NET AMOUNTS RECOGNIZED IN AOCI	**$ 5,067**	$ 5,860	**$ (975)**	$ 61

The accumulated benefit obligation for all defined benefit pension plans, which differs from the projected obligation in that it excludes the assumption of future salary increases, was $17.3 billion and $16.5 billion as of June 30, 2021 and 2020, respectively. Information related to the funded status of selected pension and other retiree benefits at June 30 is as follows:

As of June 30	2021	2020
PENSION PLANS WITH A PROJECTED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Projected benefit obligation	**$ 11,747**	$ 17,635
Fair value of plan assets	**6,231**	11,347
PENSION PLANS WITH AN ACCUMULATED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Accumulated benefit obligation	**$ 11,005**	$ 11,196
Fair value of plan assets	**6,226**	5,994
OTHER RETIREE BENEFIT PLANS WITH AN ACCUMULATED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS		
Accumulated benefit obligation	**$ 1,082**	$ 1,136
Fair value of plan assets	**127**	141

Net Periodic Benefit Cost. Components of the net periodic benefit cost were as follows:

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
AMOUNTS RECOGNIZED IN NET PERIODIC BENEFIT COST						
Service cost	**$ 275**	$ 247	$ 259	**$ 94**	$ 100	$ 101
Interest cost	**240**	276	339	**114**	160	187
Expected return on plan assets	**(783)**	(740)	(732)	**(508)**	(473)	(447)
Amortization of net actuarial loss	**423**	340	225	**47**	68	66
Amortization of prior service cost/(credit)	**25**	25	26	**(60)**	(48)	(48)
Amortization of net actuarial loss/prior service cost due to settlements	**5**	7	9	**—**	—	—
Special termination benefits	**17**	11	13	**2**	2	8
GROSS BENEFIT COST/(CREDIT)	**202**	166	139	**(311)**	(191)	(133)
Dividends on ESOP preferred stock	**—**	—	—	**(8)**	(19)	(28)
NET PERIODIC BENEFIT COST/(CREDIT)	**$ 202**	$ 166	$ 139	**$ (319)**	$ (210)	$ (161)
CHANGE IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN AOCI						
Net actuarial loss/(gain) - current year	**$ (741)**	$ 1,027		**$ (1,049)**	$ (207)	
Prior service cost/(credit) - current year	**34**	3		**—**	(136)	
Amortization of net actuarial loss	**(423)**	(340)		**(47)**	(68)	
Amortization of prior service (cost)/credit	**(25)**	(25)		**60**	48	
Amortization of net actuarial loss/prior service costs due to settlements	**(5)**	(7)		**—**	—	
Currency translation and other	**367**	(74)		**—**	(26)	
TOTAL CHANGE IN AOCI	**(793)**	584		**(1,036)**	(389)	
NET AMOUNTS RECOGNIZED IN PERIODIC BENEFIT COST AND AOCI	**$ (591)**	$ 750		**$ (1,355)**	$ (599)	

The service cost component of the net periodic benefit cost is included in the Consolidated Statements of Earnings in Cost of products sold and SG&A. All other components are included in the Consolidated Statements of Earnings in Other non-operating income/(expense), net, unless otherwise noted.

Assumptions. We determine our actuarial assumptions on an annual basis. These assumptions are weighted to reflect each country that may have an impact on the cost of providing retirement benefits. The weighted average assumptions used to determine benefit obligations recorded on the Consolidated Balance Sheets as of June 30, were as follows: [(1)]

	Pension Benefits		Other Retiree Benefits	
As of June 30	**2021**	**2020**	**2021**	**2020**
Discount rate	**1.7 %**	1.5 %	**3.2 %**	3.1 %
Rate of compensation increase	**2.7 %**	2.5 %	**N/A**	N/A
Interest crediting rate for cash balance plans	**4.4 %**	4.4 %	**N/A**	N/A
Health care cost trend rates assumed for next year	**N/A**	N/A	**6.4 %**	6.6 %
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	**N/A**	N/A	**4.5 %**	4.9 %
Year that the rate reaches the ultimate trend rate	**N/A**	N/A	**2028**	2026

(1) Determined as of end of fiscal year.

The weighted average assumptions used to determine net benefit cost recorded on the Consolidated Statement of Earnings for the years ended June 30, were as follows: [1]

	Pension Benefits			Other Retiree Benefits		
Years ended June 30	2021	2020	2019	2021	2020	2019
Discount rate	**1.5 %**	1.9 %	2.5 %	**3.1 %**	3.7 %	4.2 %
Expected return on plan assets	**6.5 %**	6.6 %	6.6 %	**8.4 %**	8.4 %	8.3 %
Rate of compensation increase	**2.5 %**	2.6 %	2.6 %	**N/A**	N/A	N/A
Interest crediting rate for cash balance plans	**4.4 %**	4.4 %	4.8 %	**N/A**	N/A	N/A

[1] Determined as of beginning of fiscal year.

For plans that make up the majority of our obligation, the Company calculates the benefit obligation and the related impacts on service and interest costs using specific spot rates along the corporate bond yield curve. For the remaining plans, the Company determines these amounts utilizing a single weighted average discount rate derived from the corporate bond yield curve used to measure the plan obligations.

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. For the defined benefit retirement plans, these factors include historical rates of return of broad equity and bond indices and projected long-term rates of return obtained from pension investment consultants. The expected long-term rates of return for plan assets are 8 - 9% for equities and 5 - 6% for bonds. For other retiree benefit plans, the expected long-term rate of return reflects that the assets are comprised primarily of Company stock. The expected rate of return on Company stock is based on the long-term projected return of 8.5% and reflects the historical pattern of returns.

Plan Assets. Our investment objective for defined benefit retirement plan assets is to meet the plans' benefit obligations and to improve plan self-sufficiency for future benefit obligations. The investment strategies focus on asset class diversification, liquidity to meet benefit payments and an appropriate balance of long-term investment return and risk. Target ranges for asset allocations are determined by assessing different investment risks and matching the actuarial projections of the plans' future liabilities and benefit payments with current as well as expected long-term rates of return on the assets, taking into account investment return volatility and correlations across asset classes. Plan assets are diversified across several investment managers and are generally invested in liquid funds that are selected to track broad market equity and bond indices. Investment risk is carefully controlled with plan assets rebalanced to target allocations on a periodic basis and with continual monitoring of investment managers' performance relative to the investment guidelines established with each investment manager.

Our target asset allocation for the year ended June 30, 2021, and actual asset allocation by asset category as of June 30, 2021 and 2020, were as follows:

	Target Asset Allocation		Actual Asset Allocation at June 30			
			Pension Benefits		Other Retiree Benefits	
Asset Category	Pension Benefits	Other Retiree Benefits	2021	2020	2021	2020
Cash	**— %**	**2 %**	**1 %**	1 %	**2 %**	3 %
Debt securities	**61 %**	**3 %**	**59 %**	66 %	**2 %**	2 %
Equity securities	**39 %**	**95 %**	**40 %**	33 %	**96 %**	95 %
TOTAL	**100 %**	**100 %**	**100 %**	100 %	**100 %**	100 %

The following table sets forth the fair value of the Company's plan assets as of June 30, 2021 and 2020 segregated by level within the fair value hierarchy (refer to Note 9 for further discussion on the fair value hierarchy and fair value principles). Investments valued using net asset value as a practical expedient are not valued using the fair value hierarchy, but rather valued using the net asset value reported by the managers of the funds and as supported by the unit prices of actual purchase and sale transactions.

	Pension Benefits			Other Retiree Benefits		
As of June 30	Fair Value Hierarchy Level	2021	2020	Fair Value Hierarchy Level	2021	2020
ASSETS AT FAIR VALUE						
Cash and cash equivalents	1	**$ 82**	$ 61	1	**$ 131**	$ 121
Company common stock		**—**	—	1	**275**	217
Company preferred stock [1]		**—**	—	2	**5,911**	5,139
Fixed income securities [2]	2	**1,931**	1,991	2	**3**	12
Insurance contracts [3]	3	**111**	115		**—**	—
TOTAL ASSETS IN THE FAIR VALUE HIERARCHY		**2,124**	2,167		**6,320**	5,489
Investments valued at net asset value [4]		**10,917**	9,317		**124**	129
TOTAL ASSETS AT FAIR VALUE		**$ 13,041**	11,484		**$ 6,444**	5,618

(1) Company preferred stock is valued based on the value of Company common stock and is presented net of ESOP debt discussed below.
(2) Fixed income securities, classified as Level 2, are estimated by using pricing models or quoted prices of securities with similar characteristics.
(3) Fair values of insurance contracts are valued based on either their cash equivalent value or models that project future cash flows and discount the future amounts to a present value using market-based observable inputs, including credit risk and interest rate curves. The activity for Level 3 assets is not significant for all years presented.
(4) Investments valued using net asset value as a practical expedient are primarily equity and fixed income collective funds.

Cash Flows. Management's best estimate of cash requirements and discretionary contributions for the defined benefit retirement plans and other retiree benefit plans for the year ending June 30, 2022, is $181 and $46, respectively. Expected contributions are dependent on many variables, including the variability of the market value of the plan assets as compared to the benefit obligation and other market or regulatory conditions. In addition, we take into consideration our business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ significantly from current estimates.

Total benefit payments expected to be paid to participants, which include payments funded from the Company's assets and payments from the plans are as follows:

Years ending June 30	Pension Benefits	Other Retiree Benefits
EXPECTED BENEFIT PAYMENTS		
2022	$ 605	$ 190
2023	586	199
2024	615	205
2025	644	209
2026	639	214
2027 - 2031	3,639	1,130

Employee Stock Ownership Plan

We maintain the ESOP to provide funding for certain employee benefits discussed in the preceding paragraphs.

The ESOP borrowed $1.0 billion in 1989 and the proceeds were used to purchase Series A ESOP Convertible Class A Preferred Stock to fund a portion of the U.S. DC plan. Principal and interest requirements of the borrowing were paid by the Trust from dividends on the preferred shares and from advances provided by the Company. The original borrowing of $1.0 billion has been repaid in full, and advances from the Company of $24 remain outstanding at June 30, 2021. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of $3.24 per share. The liquidation value is $6.82 per share.

In 1991, the ESOP borrowed an additional $1.0 billion. The proceeds were used to purchase Series B ESOP Convertible Class A Preferred Stock to fund a portion of retiree health care benefits. These shares, net of the ESOP's debt, are considered plan assets of the other retiree benefits plan discussed above. The original borrowings of $1.0 billion were repaid in full as of June 30, 2021. Debt service requirements were funded by preferred stock dividends, cash contributions and advances provided by the Company, of which $982 are outstanding at June 30, 2021. Each share is convertible at the option of the holder into one share of the Company's common stock. The dividend for the current year was equal to the common stock dividend of $3.24 per share. The liquidation value is $12.96 per share.

Our ESOP accounting practices are consistent with current ESOP accounting guidance, including the permissible continuation of certain provisions from prior accounting guidance. ESOP debt, which was guaranteed by the Company, was recorded as debt with an offset to the Reserve for ESOP debt retirement, which is presented within Shareholders' equity. Advances to the ESOP by the Company are recorded as an increase in the Reserve for ESOP debt retirement. Interest incurred on the ESOP debt is recorded as Interest expense. Dividends on all preferred shares are charged to Retained earnings.

The series A and B preferred shares of the ESOP are allocated to employees based on debt service requirements. The number of preferred shares outstanding at June 30 was as follows:

Shares in thousands	2021	2020	2019
Allocated	**27,759**	29,591	31,600
Unallocated	**1,769**	2,479	3,259
TOTAL SERIES A	**29,528**	32,070	34,859
Allocated	**29,203**	27,894	26,790
Unallocated	**22,349**	24,418	26,471
TOTAL SERIES B	**51,552**	52,312	53,261

For purposes of calculating diluted net earnings per common share, the preferred shares held by the ESOP are considered converted from inception.

NOTE 9

RISK MANAGEMENT ACTIVITIES AND FAIR VALUE MEASUREMENTS

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. We evaluate exposures on a centralized basis to take advantage of natural exposure correlation and netting. To the extent we choose to manage volatility associated with the net exposures, we enter into various financial transactions that we account for using the applicable accounting guidance for derivative instruments and hedging activities. These financial transactions are governed by our policies covering acceptable counterparty exposure, instrument types and other hedging practices.

If the Company elects to do so and if the instrument meets certain specified accounting criteria, management designates derivative instruments as cash flow hedges, fair value hedges or net investment hedges. We record derivative instruments at fair value and the accounting for changes in the fair value depends on the intended use of the derivative, the resulting designation and the effectiveness of the instrument in offsetting the risk exposure it is designed to hedge. We generally have a high degree of effectiveness between the exposure being hedged and the hedging instrument.

Credit Risk Management

We have counterparty credit guidelines and normally enter into transactions with investment grade financial institutions, to the extent commercially viable. Counterparty exposures are monitored daily and downgrades in counterparty credit ratings are reviewed on a timely basis. We have not incurred, and do not expect to incur, material credit losses on our risk management or other financial instruments.

Substantially all of the Company's financial instruments used in hedging transactions are governed by industry standard netting and collateral agreements with counterparties. If the Company's credit rating were to fall below the levels stipulated in the agreements, the counterparties could demand either collateralization or termination of the arrangements. The aggregate fair value of the instruments covered by these contractual features that are in a net liability position as of June 30, 2021, was not material. The Company has not been required to post collateral as a result of these contractual features.

Interest Rate Risk Management

Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, we enter into interest rate swaps whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional amount.

We designate certain interest rate swaps on fixed rate debt that meet specific accounting criteria as fair value hedges. For fair value hedges, the changes in the fair value of both the hedging instruments and the underlying debt obligations are immediately recognized in earnings.

Foreign Currency Risk Management

We manufacture and sell our products and finance our operations in a number of countries throughout the world. As a result, we are exposed to movements in foreign currency exchange rates. We leverage the Company’s diversified portfolio of exposures as a natural hedge. In certain cases, we enter into non-qualifying foreign currency contracts to hedge certain balance sheet items subject to revaluation. The change in fair value of these instruments and the underlying exposure are both immediately recognized in earnings.

To manage exchange rate risk related to our intercompany financing, we primarily use forward contracts and currency swaps. The change in fair value of these non-qualifying instruments is immediately recognized in earnings, substantially offsetting the foreign currency mark-to-market impact of the related exposure.

Net Investment Hedging

We hedge certain net investment positions in foreign subsidiaries. To accomplish this, we either borrow directly in foreign currencies and designate all or a portion of the foreign currency debt as a hedge of the applicable net investment position or we enter into foreign currency swaps that are designated as hedges of net investments. Changes in the fair value of these instruments are recognized in the Foreign Currency Translation component of OCI and offset the change in the value of the net investment being hedged. The time value component of the net investment hedge currency swaps is excluded from the assessment of hedge effectiveness. Changes in the fair value of the swap, including changes in the fair value of the excluded time value component, are recognized in OCI and offset the value of the underlying net assets. The time value component is subsequently reported in income on a systematic basis.

Commodity Risk Management

Certain raw materials used in our products or production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. As of and during the years ended June 30, 2021 and 2020, we did not have any financial commodity hedging activity to manage such exposures.

Insurance

We self-insure for most insurable risks. However, we purchase insurance for Directors and Officers Liability and certain other coverage where it is required by law or by contract.

Fair Value Hierarchy

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that financial assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs reflecting the reporting entity's own assumptions or external inputs from inactive markets.

When applying fair value principles in the valuation of assets and liabilities, we are required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company has not changed its valuation techniques used in measuring the fair value of any financial assets or liabilities during the year.

When active market quotes are not available for financial assets and liabilities, we use industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including credit risk, interest rate curves and forward and spot prices for currencies. In circumstances where market-based observable inputs are not available, management judgment is used to develop assumptions to estimate fair value.

Assets and Liabilities Measured at Fair Value

Cash equivalents were $9.1 billion and $14.6 billion as of June 30, 2021 and 2020, respectively and are classified as Level 1 within the fair value hierarchy. Other investments had a fair value of $192 and $67 as of June 30, 2021 and 2020, respectively, including equity securities of $163 and $39 as of June 30, 2021 and 2020, respectively, and are presented in Other noncurrent assets. Investments are measured at fair value and primarily classified as Level 1 and Level 2 within the fair value hierarchy. Level 1 are based on quoted market prices in active markets for identical assets, and Level 2 are based on quoted market prices for similar investments. There are no material investment balances classified as Level 3 within the fair value hierarchy or using net asset value as a practical expedient. Unrealized gains on equity securities were $69 and $13 for the fiscal year ended June 30, 2021 and 2020, respectively, and are recognized in the Consolidated Statements of Earnings in Other non-operating income, net.

The fair value of long-term debt was $28.8 billion and $29.0 billion as of June 30, 2021 and 2020, respectively. This includes the current portion of long-term debt instruments ($3.6 billion and $2.5 billion as of June 30, 2021 and 2020, respectively). Certain long-term debt (debt designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost, but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of June 30, 2021 and 2020 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
As of June 30	2021	2020	2021	2020	2021	2020
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 7,415**	$ 7,114	**$ 146**	$ 269	**$ —**	$ —
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 8,484**	$ 3,856	**$ 89**	$ 26	**$ (94)**	$ (41)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 15,899**	$ 10,970	**$ 235**	$ 295	**$ (94)**	$ (41)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 5,060**	$ 5,986	**$ 20**	$ 23	**$ (22)**	$ (25)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 20,959**	$ 16,956	**$ 255**	$ 318	**$ (116)**	$ (66)

All derivative assets are presented in Prepaid expenses and other current assets or Other noncurrent assets. All derivative liabilities are presented in Accrued and other liabilities or Other noncurrent liabilities.

The fair value of the interest rate derivative asset/liability directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was $7.5 billion and $7.4 billion as of June 30, 2021 and 2020, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was $12.0 billion and $16.0 billion as of June 30, 2021 and 2020, respectively. The increase in the notional balance of derivative instruments designated as net investment hedges is largely offset by the decrease in the principal balance of debt instruments designated as net investment hedges, reflecting the Company's decision to leverage favorable interest rates in the foreign currency swap market versus the short-term debt market.

All of the Company's derivative assets and liabilities are measured at fair value that is derived from observable market data, including interest rate yield curves and foreign exchange rates, and are classified as Level 2 within the fair value hierarchy. There was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were re-measured at fair value on a non-recurring basis during the years ended June 30, 2021 and 2020.

Before tax gains/(losses) on our financial instruments in hedging relationships are categorized as follows:

	Amount of Gain/(Loss) Recognized in OCI on Derivatives	
Years ended June 30	2021	2020
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS [1] [2]		
Foreign currency interest rate contracts	**$ (232)**	$ 66

(1) For the derivatives in net investment hedging relationships, the amount of gain excluded from effectiveness testing, which was recognized in earnings, was $60 and $69 for the fiscal year ended June 30, 2021 and 2020, respectively.

(2) In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in AOCI for such instruments was $(918) and $189, for the fiscal year ended June 30, 2021 and 2020, respectively.

	Amount of Gain/(Loss) Recognized in Earnings	
Years ended June 30	2021	2020
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS		
Interest rate contracts	**$ (123)**	$ 93
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		
Foreign currency contracts	**$ 296**	$ (83)

The gain/(loss) on the derivatives in fair value hedging relationships is fully offset by the mark-to-market impact of the related exposure. These are both recognized in the Consolidated Statement of Earnings in Interest Expense. The gain/(loss) on derivatives not designated as hedging instruments is substantially offset by the currency mark-to-market of the related exposure. These are both recognized in the Consolidated Statements of Earnings in SG&A.

NOTE 10

SHORT-TERM AND LONG-TERM DEBT

As of June 30	2021	2020
DEBT DUE WITHIN ONE YEAR		
Current portion of long-term debt	**$ 3,620**	$ 2,508
Commercial paper	**5,171**	8,545
Other	**98**	130
TOTAL	**$ 8,889**	$ 11,183
Short-term weighted average interest rates [1]	**0.2 %**	0.7 %

(1) Short-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

As of June 30	2021	2020
LONG-TERM DEBT		
1.70% USD note due November 2021	**875**	875
2.00% EUR note due November 2021	**893**	843
2.30% USD note due February 2022	**1,000**	1,000
2.15% USD note due August 2022	**1,250**	1,250
2.00% EUR note due August 2022	**1,190**	1,124
3.10% USD note due August 2023	**1,000**	1,000
1.13% EUR note due November 2023	**1,488**	1,405
0.50% EUR note due October 2024	**595**	562
0.63% EUR note due October 2024	**952**	899
1.38% GBP note due May 2025	**519**	461
0.55% USD note due October 2025	**1,000**	—
2.70% USD note due February 2026	**600**	600
1.00% USD note due April 2026	**1,000**	—
2.45% USD note due November 2026	**875**	875
2.80% USD note due March 2027	**500**	500
4.88% EUR note due May 2027	**1,190**	1,124
2.85% USD note due August 2027	**750**	750
1.20% EUR note due October 2028	**952**	899
1.80% GBP note due May 2029	**519**	461
1.25% EUR note due October 2029	**595**	562
3.00% USD note due March 2030	**1,500**	1,500
1.20% USD note due October 2030	**1,250**	—
1.95% USD note due April 2031	**1,000**	—
5.55% USD note due March 2037	**716**	763
1.88% EUR note due October 2038	**595**	562
3.55% USD note due March 2040	**516**	1,000
All other long-term debt	**3,399**	7,030
Current portion of long-term debt	**(3,620)**	(2,508)
TOTAL	**$ 23,099**	$ 23,537
Long-term weighted average interest rates [1]	**2.0%**	2.3%

(1) Long-term weighted average interest rates include the effects of interest rate swaps discussed in Note 9.

Long-term debt maturities during the next five fiscal years are as follows:

Years ending June 30	2022	2023	2024	2025	2026
Debt maturities	$3,620	$2,470	$2,537	$2,136	$2,721

The Procter & Gamble Company fully and unconditionally guarantees the registered debt and securities issued by its 100% owned finance subsidiaries.

NOTE 11

ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The table below presents the changes in Accumulated other comprehensive income/(loss) attributable to Procter & Gamble (AOCI), including the reclassifications out of AOCI by component:

Changes in Accumulated Other Comprehensive Income/(Loss) by Component

	Investment Securities	Post-retirement Benefits	Foreign Currency Translation	Total AOCI
BALANCE at JUNE 30, 2019	$ 11	$ (4,198)	$ (10,749)	$ (14,936)
OCI before reclassifications [1]	(10)	(453)	(1,083)	(1,546)
Amounts reclassified from AOCI into the Consolidated Statement of Earnings [2]	(2)	303	—	301
Net current period OCI	(12)	(150)	(1,083)	(1,245)
Less: Other comprehensive income/(loss) attributable to non-controlling interests	—	2	(18)	(16)
BALANCE at JUNE 30, 2020	(1)	(4,350)	(11,814)	(16,165)
OCI before reclassifications [3]	**20**	**1,046**	**1,023**	**2,089**
Amounts reclassified from AOCI into the Consolidated Statement of Earnings [4]	**(4)**	**340**	**—**	**336**
Net current period OCI	**16**	**1,386**	**1,023**	**2,425**
Less: Other comprehensive income/(loss) attributable to non-controlling interests	**—**	**(1)**	**5**	**4**
BALANCE at JUNE 30, 2021	**$ 15**	**$ (2,963)**	**$ (10,796)**	**$ (13,744)**

(1) Net of tax (benefit)/expense of $(1), $(131) and $59 for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively, for the period ended June 30, 2020. Income taxes are not provided for foreign translation relating to permanent investments in international subsidiaries, but tax effects within cumulative translation does include impacts from items such as net investment hedge transactions.

(2) Net of tax (benefit)/expense of $0, $89 and $0 for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively, for the period ended June 30, 2020.

(3) Net of tax (benefit)/expense of $5, $345 and $(266) for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively, for the period ended June 30, 2021. Income taxes are not provided for foreign translation relating to permanent investments in international subsidiaries, but tax effects within cumulative translation does include impacts from items such as net investment hedge transactions.

(4) Net of tax (benefit)/expense of $0, $100 and $0 for gains/losses on investment securities, postretirement benefit items and foreign currency translation, respectively, for the period ended June 30, 2021.

The below provides additional details on amounts reclassified from AOCI into the Consolidated Statement of Earnings:

- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Postretirement benefits: amounts reclassified from AOCI into Other non-operating income, net and included in the computation of net periodic postretirement costs (see Note 8 for additional details).

NOTE 12
LEASES

The Company determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. We lease certain real estate, machinery, equipment, vehicles and office equipment for varying periods. Many of these leases include an option to either renew or terminate the lease. For purposes of calculating lease liabilities, these options are included within the lease term when it has become reasonably certain that the Company will exercise such options. The incremental borrowing rate utilized to calculate our lease liabilities is based on the information available at commencement date, as most of the leases do not provide an implicit borrowing rate. Our operating lease agreements do not contain any material guarantees or restrictive covenants. The Company does not have any material finance leases or sublease activities. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected on the Consolidated Balance Sheets. Lease expense for such short-term leases is not material. The most significant assets in our leasing portfolio relate to real estate and vehicles. For purposes of calculating lease liabilities for such leases, we have combined lease and non-lease components.

The components of the Company's total operating lease cost for the years ended June 30, 2021 and June 30, 2020 were as follows:

Years ended June 30	2021	2020
Operating lease cost	**245**	271
Variable lease cost [1]	**75**	76
Total lease cost	**$ 320**	$ 347

[1] Includes primarily costs for utilities, common area maintenance, property taxes and other operating costs associated with operating leases that are not included in the lease liability and are recognized in the period in which they are incurred.

Total lease cost for the year ended June 30, 2019 was $341.

Supplemental balance sheet and other information related to leases is as follows:

As of June 30	2021	2020
Operating leases:		
Other noncurrent assets	**$ 808**	$ 850
Accrued and other liabilities	**219**	239
Other noncurrent liabilities	**631**	652
Total operating lease liabilities	**$ 850**	$ 891
Weighted average remaining lease term:		
Operating leases	**6.4 years**	6.5 years
Weighted average discount rate:		
Operating leases	**3.8 %**	4.3 %

At June 30, 2021, future payments of operating lease liabilities were as follows:

	Operating Leases June 30, 2021
1 year	$ 219
2 years	192
3 years	157
4 years	106
5 years	69
Over 5 years	210
Total lease payments	**953**
Less: Interest	(103)
Present value of lease liabilities	**$ 850**

Total cash paid for amounts included in the measurement of lease liabilities was $253 and $271 for the years ended June 30, 2021 and June 30, 2020, respectively.

The right-of-use assets obtained in exchange for lease liabilities were $163 and $126 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 13

COMMITMENTS AND CONTINGENCIES

Guarantees

In conjunction with certain transactions, primarily divestitures, we may provide routine indemnifications (e.g., indemnification for representations and warranties and retention of previously existing environmental, tax and employee liabilities) for which terms range in duration and, in some circumstances, are not explicitly defined. The maximum obligation under some indemnifications is also not explicitly stated and, as a result, the overall amount of these obligations cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss on any of these matters, the loss would not have a material effect on our financial position, results of operations or cash flows.

In certain situations, we guarantee loans for suppliers and customers. The total amount of guarantees issued under such arrangements is not material.

Off-Balance Sheet Arrangements

We do not have off-balance sheet financing arrangements, including variable interest entities, that have a material impact on our financial statements.

Purchase Commitments

We have purchase commitments for materials, supplies, services and property, plant and equipment as part of the normal course of business. Commitments made under take-or-pay obligations are as follows:

Years ending June 30	2022	2023	2024	2025	2026	There-after
Purchase obligations	$ 809	$ 381	$ 218	$ 151	$ 108	$ 315

Such amounts represent minimum commitments under take-or-pay agreements with suppliers and are in line with expected usage. These amounts include purchase commitments related to service contracts for information technology, human resources management and facilities management activities that have been outsourced to third-party suppliers. Due to the proprietary nature of many of our materials and processes, certain supply contracts contain penalty provisions for early termination. We do not expect to incur penalty payments under these provisions that would materially affect our financial position, results of operations or cash flows.

Litigation

We are subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental, patent and trademark matters, labor and employment matters and tax.

While considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe the ultimate resolution of environmental remediation will materially affect our financial position, results of operations or cash flows.

NOTE 14

MERCK ACQUISITION

On November 30, 2018, we completed our acquisition of the OTC healthcare business of Merck OTC for $3.7 billion (based on exchange rates at the time of closing) in an all-cash transaction. This business primarily sells OTC consumer healthcare products, mainly in Europe, Latin America and Asia markets. The results of Merck OTC, which are not material to the Company, are reported in our consolidated financial statements beginning December 1, 2018.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

The Company's Chairman of the Board, President and Chief Executive Officer, David S. Taylor, and the Company's Chief Financial Officer, Andre Schulten, performed an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act)) as of the end of the period covered by this Annual Report on Form 10-K.

Messrs. Taylor and Schulten have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Taylor and Schulten, to allow their timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The Board of Directors has determined that the following members of the Audit Committee are independent and are Audit Committee financial experts as defined by SEC rules: Ms. Patricia A. Woertz (Chair) and Ms. Christine M. McCarthy.

The information required by this item is incorporated by reference to the following sections of the 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: the section entitled Election of Directors; the subsection of the Corporate Governance section entitled Board Meetings and Committees of the Board; the subsection of the Corporate Governance section entitled Code of Ethics; and the subsections of the Other Matters section entitled Director Nominations for Inclusion in the 2022 Proxy Statement and entitled Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees. Pursuant to the Instruction to Item 401 of Regulation S-K, Executive Officers of the Registrant are reported in Part I of this report.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the following sections of the 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: the subsections of the Corporate Governance section entitled Board Meetings and Committees of the Board and entitled Compensation Committee Interlocks and Insider Participation; and the portion beginning with the section entitled Director Compensation up to but not including the section entitled Security Ownership of Management and Certain Beneficial Owners.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table gives information about the Company's common stock that may be issued upon the exercise of options, warrants and rights under all of the Company's equity compensation plans as of June 30, 2021. The table includes the following plans: The Procter & Gamble 1992 Stock Plan; The Procter & Gamble 2001 Stock and Incentive Compensation Plan; The Procter & Gamble 2003 Non-Employee Directors' Stock Plan; The Procter & Gamble 2009 Stock and Incentive Compensation Plan; The Procter & Gamble 2014 Stock and Incentive Compensation Plan; and The Procter & Gamble 2019 Stock and Incentive Compensation Plan.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders			
Stock Options/Stock Appreciation Rights	138,297,815	$91.2043	(1)
Restricted Stock Units (RSUs)/Performance Stock Units (PSUs)	7,202,433	N/A	(1)
TOTAL	**145,500,248**	**$91.2043** (2)	

(1) Of the plans listed above, only The Procter & Gamble 2019 Stock and Incentive Compensation Plan (the "2019 Plan") allows for future grants of securities. The maximum number of shares that may be granted under this plan is 187 million shares. Stock options and stock appreciation rights are counted on a one-for-one basis while full value awards (such as RSUs and PSUs) are counted as five shares for each share awarded. Total shares available for future issuance under this plan is 144 million.

(2) Weighted average exercise price of outstanding options only.

Additional information required by this item is incorporated by reference to the following section of the 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: the subsection of the Beneficial Ownership section entitled Security Ownership of Management and Certain Beneficial Owners.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this item is incorporated by reference to the following sections of the 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: the subsections of the Corporate Governance section entitled Director Independence and Review and Approval of Transactions with Related Persons.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to the following section of the 2021 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2021: Report of the Audit Committee, which ends with the subsection entitled Services Provided by Deloitte.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements:

The following Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries, management's report and the reports of the independent registered public accounting firm are incorporated by reference in Part II, Item 8 of this Form 10-K.

- Management's Report on Internal Control over Financial Reporting
- Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting
- Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
- Consolidated Statements of Earnings - for years ended June 30, 2021, 2020 and 2019
- Consolidated Statements of Other Comprehensive Income - for years ended June 30, 2021, 2020 and 2019
- Consolidated Balance Sheets - as of June 30, 2021 and 2020
- Consolidated Statements of Shareholders' Equity - for years ended June 30, 2021, 2020 and 2019
- Consolidated Statements of Cash Flows - for years ended June 30, 2021, 2020 and 2019
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

These schedules are omitted because of the absence of the conditions under which they are required or because the information is set forth in the Consolidated Financial Statements or Notes thereto.

EXHIBITS

Exhibit	(3-1) -	Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).
	(3-2) -	Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).
Exhibit	(4-1) -	Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015).
	(4-2) -	The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any other instrument defining the rights of holders of the Company's long-term debt.
	(4-3) -	Description of the Company's Common Stock (Incorporated by reference to Exhibit (4-3) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).
	(4-4) -	Description of the Company's 0.625% Notes due 2024, 1.200% Notes due 2028, and 1.875% Notes due 2038 (Incorporated by reference to Exhibit (4-4) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).
	(4-5) -	Description of the Company's 4.875% EUR notes due May 2027, 6.250% GBP notes due January 2030, and 5.250% GBP notes due January 2033.+
	(4-6) -	Description of the Company's 0.500% Notes due 2024 and 1.250% Notes due 2029 (Incorporated by reference to Exhibit (4-6) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-7) - Description of the Company's 1.375% Notes due 2025 and 1.800% Notes due 2029 (Incorporated by reference to Exhibit (4-7) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-8) - Description of the Company's 1.125% Notes due 2023 (Incorporated by reference to Exhibit (4-8) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-9) - Description of the Company's 2.000% Notes due 2021 (Incorporated by reference to Exhibit (4-10) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-10) - Description of the Company's 2.000% Notes due 2022 (Incorporated by reference to Exhibit (4-11) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

Exhibit (10-1) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended), which was originally adopted by shareholders at the annual meeting on October 9, 2001 (Incorporated by reference to Exhibit (10-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-2) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2013).*

(10-3) - The Procter & Gamble 1992 Stock Plan (as amended December 11, 2001), which was originally adopted by the shareholders at the annual meeting on October 12, 1992 (Incorporated by reference to Exhibit (10-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-4) - The Procter & Gamble Executive Group Life Insurance Policy (Incorporated by reference to Exhibit (10-3) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-5) - Summary of the Company's Retirement Plan Restoration Program (Incorporated by reference to Exhibit (10-5) of the Company's Form 10-Q for the quarter ended December 31, 2019).*

(10-6) - Retirement Plan Restoration Program related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-8) of the Company's Form 10-Q for the quarter ended September 30, 2015).*

(10-7) - Summary of the Company's Long-Term Incentive Program (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2020).*

(10-8) - Long-Term Incentive Program related correspondence and terms and conditions.*+

(10-9) - The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended March 31, 2020).*

(10-10) - Summary of the Company's Short Term Achievement Reward Program (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2020).*

(10-11) - Short Term Achievement Reward Program – related correspondence and terms and conditions.*+

(10-12) - Company's Forms of Separation Agreement & Release (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended March 31, 2021)*

(10-13) - Company's Form of Separation Letter and Release (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended March 31, 2021).*

(10-14) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2018).*

(10-15) - The Gillette Company Deferred Compensation Plan (Incorporated by reference to Exhibit (10-18) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017).*

(10-16) - Senior Executive Recoupment Policy (Incorporated by reference to Exhibit (10-19) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-17) - The Gillette Company Deferred Compensation Plan (for salary deferrals prior to January 1, 2005) as amended through August 21, 2006 (Incorporated by reference to Exhibit (10-20) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017).*

(10-18) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 13, 2009 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017).*

(10-19) - Regulations of the Compensation and Leadership Development Committee for The Procter & Gamble 2009 Stock and Incentive Compensation Plan, The Procter & Gamble 2001 Stock and Incentive Compensation Plan, The Procter & Gamble 1992 Stock Plan, The Procter & Gamble 1992 Stock Plan (Belgium Version), The Gillette Company 2004 Long-Term Incentive Plan and the Gillette Company 1971 Stock Option Plan (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).*

(10-20) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan - Additional terms and conditions and related correspondence (Incorporated by reference to Exhibit (10-2) of the Company Form 10-Q for the quarter ended December 31, 2013).*

(10-21) - The Procter & Gamble Performance Stock Program Summary (Incorporated by reference to Exhibit (10-5) of the Company's Form 10-Q for the quarter ended September 30, 2020).*

(10-22) - Performance Stock Program related correspondence and terms and conditions.*+

(10-23) - The Procter & Gamble 2013 Non-Employee Directors' Stock Plan (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended December 31, 2013). *

(10-24) - The Procter & Gamble 2014 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 14, 2014 (Incorporated by reference to Exhibit (10-25) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).*

(10-25) - Regulations of the Compensation and Leadership Development Committee for The Procter & Gamble 2019 Stock and Incentive Compensation Plan and The Procter & Gamble 2014 Stock and Incentive Compensation Plan (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2019). *

(10-26) - The Procter & Gamble 2014 Stock and Incentive Compensation Plan - Additional terms and conditions (Incorporated by reference to Exhibit (10-26) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017).*

(10-27) - The Procter & Gamble 2019 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 8, 2019 (Incorporated by reference to Exhibit (10-1) of the Company’s Current Report on Form 8-K filed October 11, 2019).*

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(1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

* Compensatory plan or arrangement.

\+ Filed herewith.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the city of Cincinnati, State of Ohio.

THE PROCTER & GAMBLE COMPANY

By /s/ DAVID S. TAYLOR

(David S. Taylor)
Chairman of the Board, President and Chief Executive Officer

August 06, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAVID S. TAYLOR (David S. Taylor)	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	August 06, 2021
/s/ ANDRE SCHULTEN (Andre Schulten)	Chief Financial Officer (Principal Financial Officer)	August 06, 2021
/s/ MICHAEL G. HOMAN (Michael G. Homan)	Senior Vice President - Chief Accounting Officer (Principal Accounting Officer)	August 06, 2021
/s/ B. MARC ALLEN (B. Marc Allen)	Director	August 06, 2021
/s/ FRANCIS S. BLAKE (Francis S. Blake)	Director	August 06, 2021
/s/ ANGELA F. BRALY (Angela F. Braly)	Director	August 06, 2021
/s/ AMY L. CHANG (Amy L. Chang)	Director	August 06, 2021
/s/ JOSEPH JIMENEZ (Joseph Jimenez)	Director	August 06, 2021
/s/ DEBRA L. LEE (Debra L. Lee)	Director	August 06, 2021
/s/ TERRY J. LUNDGREN (Terry J. Lundgren)	Director	August 06, 2021
/s/ CHRISTINE M. MCCARTHY (Christine M. McCarthy)	Director	August 06, 2021
/s/ W. JAMES MCNERNEY, JR. (W. James McNerney, Jr.)	Director	August 06, 2021
/s/ JON R. MOELLER (Jon R. Moeller)	Director	August 06, 2021
/s/ NELSON PELTZ (Nelson Peltz)	Director	August 06, 2021
/s/ MARGARET C. WHITMAN (Margaret C. Whitman)	Director	August 06, 2021
/s/ PATRICIA A. WOERTZ (Patricia A. Woertz)	Director	August 06, 2021

EXHIBIT INDEX

Exhibit (3-1) - Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).

(3-2) - Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2016).

Exhibit (4-1) - Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2015).

(4-2) - The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any other instrument defining the rights of holders of the Company's long-term debt.

(4-3) - Description of the Company's Common Stock (Incorporated by reference to Exhibit (4-3) of the Company's Annual report on Form 10-K for the year ended June 30, 2019)

(4-4) - Description of the Company's 0.625% Notes due 2024, 1.200% Notes due 2028, and 1.875% Notes due 2038 (Incorporated by reference to Exhibit (4-4) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-5) - Description of the Company's 4.875% EUR notes due May 2027, 6.250% GBP notes due January 2030, and 5.250% GBP notes due January 2033. +

(4-6) - Description of the Company's 0.500% Notes due 2024 and 1.250% Notes due 2029 (Incorporated by reference to Exhibit (4-6) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-7) - Description of the Company's 1.375% Notes due 2025 and 1.800% Notes due 2029 (Incorporated by reference to Exhibit (4-7) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-8) - Description of the Company's 1.125% Notes due 2023 (Incorporated by reference to Exhibit (4-8) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-9) - Description of the Company's 2.000% Notes due 2021 (Incorporated by reference to Exhibit (4-10) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

(4-10) - Description of the Company's 2.000% Notes due 2022 (Incorporated by reference to Exhibit (4-11) of the Company's Annual report on Form 10-K for the year ended June 30, 2019).

Exhibit (10-1) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended), which was originally adopted by shareholders at the annual meeting on October 9, 2001 (Incorporated by reference to Exhibit (10-1) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-2) - The Procter & Gamble 2001 Stock and Incentive Compensation Plan related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended December 31, 2013).

(10-3) - The Procter & Gamble 1992 Stock Plan (as amended December 11, 2001), which was originally adopted by the shareholders at the annual meeting on October 12, 1992 (Incorporated by reference to Exhibit (10-2) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-4) - The Procter & Gamble Executive Group Life Insurance Policy (Incorporated by reference to Exhibit (10-3) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-5) - Summary of the Company's Retirement Plan Restoration Program (Incorporated by reference to Exhibit (10-5) of the Company's Form 10-Q for the quarter ended December 31, 2019).

(10-6) - Retirement Plan Restoration Program related correspondence and terms and conditions (Incorporated by reference to Exhibit (10-8) of the Company's Form 10-Q for the quarter ended September 30, 2015).

(10-7) - Summary of the Company's Long-Term Incentive Program (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2020).

(10-8) - Long-Term Incentive Program related correspondence and terms and conditions. +

(10-9) - The Procter & Gamble Company Executive Deferred Compensation Plan (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended March 31, 2020).

(10-10) - Summary of the Company's Short Term Achievement Reward Program (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended September 30, 2020).

(10-11) - Short Term Achievement Reward Program – related correspondence and terms and conditions. +

(10-12) - Company's Forms of Separation Agreement & Release (Incorporated by reference to Exhibit (10-2) of the Company's Form 10-Q for the quarter ended March 31, 2021).

(10-13) - Company's Form of Separation Letter and Release (Incorporated by reference to Exhibit (10-1) of the Company's Form 10-Q for the quarter ended March 31, 2021).

(10-14) - Summary of personal benefits available to certain officers and non-employee directors (Incorporated by reference to Exhibit (10-3) of the Company's Form 10-Q for the quarter ended September 30, 2018).

(10-15) - The Gillette Company Deferred Compensation Plan (Incorporated by reference to Exhibit (10-18) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017).

(10-16) - Senior Executive Recoupment Policy (Incorporated by reference to Exhibit (10-19) of the Company's Annual Report on Form 10-K for the year ended June 30, 2018).

(10-17) - The Gillette Company Deferred Compensation Plan (for salary deferrals prior to January 1, 2005) as amended through August 21, 2006 (Incorporated by reference to Exhibit (10-20) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017).

(10-18) - The Procter & Gamble 2009 Stock and Incentive Compensation Plan, which was originally adopted by shareholders at the annual meeting on October 13, 2009 (Incorporated by reference to Exhibit (10-21) of the Company's Annual Report on Form 10-K for the year ended June 30, 2017).

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Measures Not Defined by U.S. GAAP

In accordance with the SEC's Regulation G, the following provides definitions of the non-GAAP measures used in Procter & Gamble's 2021 Annual Report and the reconciliation to the most closely related GAAP measure. We believe that these measures provide useful perspective on underlying business trends (i.e., trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and a view of our business results through the eyes of management. Of these, certain measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

Organic sales growth* Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of the July 1, 2018 adoption of new accounting standard for "Revenue from Contracts with Customers," acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis.

The following tables provide a numerical reconciliation of organic sales growth to reported net sales growth:

FY	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other[1]	Organic Sales Growth
2021	7%	(1)%	-%	6%

(1) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

Quarter	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other[2]	Organic Sales Growth
AMJ 2021	7%	(3)%	-%	4%
JFM 2021	5%	(1)%	-%	4%
OND 2020	8%	-%	-%	8%
JAS 2020	9%	1%	(1)%	9%
AMJ 2020	4%	3%	(1)%	6%
JFM 2020	5%	2%	(1)%	6%
JFM 2020–AMJ 2021 Average				**6%**

(2) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

Quarter	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other[3]	Organic Sales Growth
OND 2019	5%	1%	(1)%	5%
JAS 2019	7%	2%	(2)%	7%
AMJ 2019	4%	4%	(1)%	7%
JFM 2019	1%	5%	(1)%	5%
OND 2018	-%	4%	-%	4%
JAS 2018	-%	3%	1%	4%
JAS 2018–OND 2019 Average				**5%**

(3) Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures, the impact from the July 1, 2018 adoption of new accounting standards for "Revenue from Contracts with Customers" and rounding impacts necessary to reconcile net sales to organic sales.

**Measure is used to evaluate senior management and is a factor in determining their at-risk compensation.*

Adjusted free cash flow and Adjusted free cash flow productivity* Adjusted free cash flow is defined as operating cash flow less capital spending and adjustments for items as indicated. We view adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments. Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding charges not considered part of our ongoing operations as indicated. We view adjusted free cash flow productivity as a useful measure to help investors understand P&G's ability to generate cash.

($ millions)	Operating Cash Flow	Capital Spending	Adjustment[4]	Adjusted Free Cash Flow
FY 2021	$18,371	$(2,787)	$225	$15,809

(4) Adjustment relates to tax payment for the transitional tax resulting from the U.S. Tax Act.

($ millions)	Adjusted Free Cash Flow	Net Earnings	Adjust-ment[5]	Net Earnings excluding adjustments	Adjusted Free Cash Flow Productivity
FY 2021	$15,809	$14,352	$427	$14,779	107%

(5) Adjustment relates to charges for early debt extinguishment.

Core EPS* Core EPS is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. The following table provides a reconciliation of diluted net earnings per share to Core EPS, including the following reconciling items.

Charges for early debt extinguishment: During fiscal 2021, 2018 and 2017, the Company recorded after-tax charges due to the early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.

Incremental Restructuring: The Company has historically had an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250–$500 million before tax. Beginning in 2012, the Company had a strategic productivity and cost savings initiative that resulted in incremental restructuring charges through fiscal 2020. The adjustment to Core earnings includes only the restructuring costs above the normal recurring level of restructuring costs. In fiscal 2021, the Company incurred restructuring costs within our historical ongoing level.

Gain on Dissolution of the PGT Healthcare Partnership: The Company dissolved our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd (Teva) in the OTC consumer healthcare business, during the year ended June 30, 2019. The transaction was accounted for as a sale of the Teva portion of the PGT business; the Company recognized an after-tax gain on the dissolution.

Shave Care Impairment: As discussed in Note 4 to the Consolidated Financial Statements and in the Significant Accounting Policies and Estimates section of the MD&A in the Form 10-K included in this Annual Report, in the fourth quarter of fiscal 2019, the Company recognized a one-time, non-cash after-tax charge to adjust the carrying values of the Shave Care reporting unit. This was comprised of an impairment charge related to goodwill and an impairment charge to reduce the carrying value of the Gillette indefinite-lived intangible assets.

Anti-Dilutive Impacts: As discussed in Note 6 to the Consolidated Financial Statements in the Form 10-K included in this Annual Report, the Shave Care impairment charges caused preferred shares that are normally dilutive (and hence, normally assumed converted for purposes of determining diluted earnings per share) to be anti-dilutive. Accordingly for U.S. GAAP, the preferred shares were not assumed to be converted into common shares for diluted earnings per share and the related dividends paid to the preferred shareholders were deducted from net income to calculate earnings available to common shareholders. As a result of the non-GAAP Shave Care impairment adjustment, these instruments are dilutive for non-GAAP core earnings per share.

Transitional Impacts of the U.S. Tax Act: As discussed in Note 5 to the Consolidated Financial Statements in the Form 10-K included in this Annual Report, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "U.S. Tax Act") in December 2017. This resulted in a net charge for the fiscal year 2018. The adjustment to core earnings only includes this transitional impact. It does not include the ongoing impacts of the lower U.S. statutory rate on pre-tax earnings.

We do not view these items to be part of our sustainable results and their exclusion from Core earnings per share provides a more comparable measure of year-on-year results.

**Measure is used to evaluate senior management and is a factor in determining their at-risk compensation.*

Years ended June 30	2021	2020	2019	2018	2017
Diluted net earnings per share from continuing operations	**$5.50**	**$4.96**	**$1.43**	**$3.67**	**$3.69**
Early debt extinguishment charge	$0.16	-	-	$0.09	$0.13
Incremental restructuring charges	-	$0.16	$0.13	$0.23	$0.10
Gain on dissolution of PGT Healthcare partnership	-	-	$(0.13)	-	-
Shave Care impairment	-	-	$3.03	-	-
Anti-dilutive impacts	-	-	$0.06	-	-
Transitional impacts of the U.S. Tax Act	-	-	-	$0.23	-
Core EPS	**$5.66**	**$5.12**	**$4.52**	**$4.22**	**$3.92**
Core EPS growth	*11%*				
Currency Impact to Core Earnings	$0.04				
Currency neutral Core EPS	**$5.70**				
Currency neutral Core EPS growth	*11%*				

Core EPS	AMJ 21	AMJ 20	JFM 21	JFM 20	OND 20	OND 19	JAS 20	JAS 19	AMJ 20	AMJ 19	JFM 20	JFM 19
Diluted net earnings per share from continuing operations	**$1.13**	**$1.07**	**$1.26**	**$1.12**	**$1.47**	**$1.41**	**$1.63**	**$1.36**	**$1.07**	**$(2.12)**	**$1.12**	**$1.04**
Early debt extinguishment charge					$0.16			$0.01				
Incremental restructuring charges		$0.09		$0.05		$0.01			$0.09	$0.06	$0.05	$0.02
Shave Care impairment										$3.02		
Anti-dilutive impacts										$0.14		
Rounding					$0.01							
Core EPS	**$1.13**	**$1.16**	**$1.26**	**$1.17**	**$1.64**	**$1.42**	**$1.63**	**$1.37**	**$1.16**	**$1.10**	**$1.17**	**$1.06**
Percentage change vs. prior year period	*(3)%*		*8%*		*15%*		*19%*		*5%*		*10%*	
Core EPS average growth	*9%*											

Core EPS	OND 19	OND 18	JAS 19	JAS 18	AMJ 19	AMJ 18	JFM 19	JFM 18
Diluted net earnings per share from continuing operations	**$1.41**	**$1.22**	**$1.36**	**$1.22**	**$(2.12)**	**$0.72**	**$1.04**	**$0.95**
Early debt extinguishment charge						$0.09		
Incremental restructuring charges	$0.01	$0.03	$0.01	$0.03	$0.06	$0.14	$0.02	$0.04
Gain on dissolution of PGT Healthcare partnership				$(0.14)				
Shave Care impairment					$3.02			
Anti-dilutive impacts					$0.14			
Transitional impacts of the U.S. Tax Act						$(0.02)		$0.01
Rounding				$0.01		$0.01		
Core EPS	**$1.42**	**$1.25**	**$1.37**	**$1.12**	**$1.10**	**$0.94**	**$1.06**	**$1.00**
Percentage change vs. prior year period	*14%*		*22%*		*17%*		*6%*	
Core EPS average growth	*15%*							

Note—All reconciling items are presented net of tax. Tax effects are calculated consistent with the nature of the underlying transactions.

Board of Directors

B. Marc Allen

Chief Strategy Officer and Senior Vice President, Strategy and Corporate Development of The Boeing Company (aerospace, commercial jetliners, and military defense systems). Director since February 2021. Age 48.

Francis S. Blake

Former Chairman of the Board and Chief Executive Officer of The Home Depot, Inc. (national retailer). Director since 2015. Also non-Executive Chairman of the Board of Delta Airlines and Director of Macy's, Inc. Age 72.

Angela F. Braly

Former Chair of the Board, President and Chief Executive Officer of WellPoint, Inc. (healthcare insurance), now known as Anthem, Inc. Director since 2009. Also a Director of Brookfield Asset Management and ExxonMobil Corporation. Age 60.

Amy L. Chang

Former Executive Vice President and Executive Advisor at Cisco Systems, Inc. (networking). Founder and former Chief Executive Officer of Accompany, Inc. (relationship intelligence). Director since 2017. Also a Director of The Walt Disney Company and Marqeta. Age 44.

Joseph Jimenez

Co-Founder and Managing Director of Aditum Bio (biotech venture fund). Former Chief Executive Officer of Novartis AG (global healthcare). Director since 2018. Also a Director of General Motors. Age 61.

Debra L. Lee

Chair of Leading Women Defined Foundation (nonprofit education and advocacy organization). Former Chairman and Chief Executive Officer of BET Networks (media and entertainment). Director since 2020. Also a Director of Marriott International, Inc., Burberry Group plc, and AT&T, Inc. Age 67.

Terry J. Lundgren

Operating Partner of Long-Term Private Capital (a BlackRock private equity fund). Former Executive Chairman, Chairman of the Board and Chief Executive Officer of Macy's, Inc. (national retailer). Director since 2013. Age 69.

Christine M. McCarthy

Senior Executive Vice President and Chief Financial Officer of The Walt Disney Company (global entertainment). Director since 2019. Age 66.

W. James McNerney, Jr.

Senior Advisor at Clayton, Dubilier & Rice, LLC (private equity investment). Former Chairman of the Board, President and Chief Executive Officer of The Boeing Company (aerospace, commercial jetliners and military defense systems). Director since 2003. Age 72.

Jon R. Moeller

Vice Chairman and Chief Operating Officer of the Company. Director since July 2021. Age 57.

Nelson Peltz

Chief Executive Officer and Founding Partner of Trian Fund Management, L.P. (investment management) since its formation in 2005. Director since 2018. Also a Director of The Madison Square Garden Sports Corp., The Wendy's Company, Invesco Ltd., and Sysco Corporation. Age 79.

David S. Taylor

Chairman of the Board, President and Chief Executive Officer of the Company. Director since 2015. Also a Director of Delta Airlines. Age 63.

Margaret C. Whitman

Former Chief Executive Officer of Quibi (mobile media) from 2018 to 2021. Former President and Chief Executive Officer of Hewlett Packard Enterprise (multinational information technology) and former Chairman of the Board, President and Chief Executive Officer of the Hewlett-Packard Company. Director since 2011, having previously served as a Director from 2003 to 2008. Also a Director of General Motors and Lead Edge Growth Opportunities, Ltd. (a blank check company). Age 65.

Patricia A. Woertz

Former Chairman of the Board, President and Chief Executive Officer of Archer Daniels Midland Company (agricultural origination and processing). Director since 2008. Also a Director of 3M Company. Age 68.

The Board of Directors Has Four Committees:

- Audit
- Compensation & Leadership Development
- Governance & Public Responsibility
- Innovation & Technology

Company Leadership

David S. Taylor
Chairman of the Board, President and Chief Executive Officer
Executive Chairman, effective November 1, 2021

Jon R. Moeller
Vice Chairman and Chief Operating Officer
President and Chief Executive Officer, effective November 1, 2021

Gary Coombe
Chief Executive Officer –
Grooming

Mary Lynn Ferguson-McHugh
Chief Executive Officer –
Family Care and New Business

Ma. Fatima D. Francisco
Chief Executive Officer –
Baby and Feminine Care

Shailesh G. Jejurikar
Chief Executive Officer –
Fabric and Home Care
Chief Operating Officer,
effective October 1, 2021

R. Alexandra Keith
Chief Executive Officer –
Beauty

Carolyn Tastad
Chief Executive Officer –
Health Care

Victor Aguilar
Chief Research, Development
and Innovation Officer

Laura Becker
President – Global Business Services

Steven D. Bishop
CEO Advisor, Health Care

Vittorio Cretella
Chief Information Officer

Jennifer Davis
President – Feminine Care

Philip J. Duncan
Chief Design Officer

Paul Gama
President – Personal Health Care

Tracey Grabowski
Chief Human Resources Officer

Virginie Helias
Chief Sustainability Officer

Damon Jones
Chief Communications Officer

Henry Karamanoukian
President – Digital Commerce

Deborah P. Majoras
Chief Legal Officer and Secretary

Shelly McNamara
Chief Equality & Inclusion Officer

Julio Nemeth
Chief Product Supply Officer

Ken Patel
Chief Ethics & Compliance Officer
and Chief Patent Counsel

Guy Persaud
President – New Business

Juan Fernando Posada
President – Latin America

Matthew S. Price
President – Greater China

Marc S. Pritchard
Chief Brand Officer

Sundar Raman
President – Home Care
and P&G Professional

Andre Schulten
Chief Financial Officer

Mindy Sherwood
President – Global Walmart
and Chief Sales Officer

Kirti Singh
Chief Analytics and Insights Officer

Markus Strobel
President – Skin & Personal Care

Magesvaran Suranjan
President – Asia Pacific,
Middle East and Africa

Loïc Tassel
President – Europe

Monica Turner
President – North America

Jasmine Xu
President – Go-to-Market, China,
Brand Operations and Brand
Functions, Greater China

As of August 1, 2021

Visit us at us.pg.com/leadership-team to learn more about P&G's global leaders.

Company and Shareholder Information

P&G's Purpose

We will provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders and the communities in which we live and work to prosper. To learn more, please visit www.pg.com.

Brands

P&G products have made a name for themselves by combining "what's needed" with "what's possible"—making laundry rooms, living rooms, bedrooms, kitchens, nurseries, and bathrooms a little more enjoyable since 1837. For information on our portfolio of brands and our latest innovations, please visit www.pg.com/brands.

Citizenship

We are committed to doing what's right and being a good corporate citizen. Our Citizenship efforts are focused on Environmental Sustainability, Equality & Inclusion and Community Impact, with a foundation of Ethics & Corporate Responsibility guiding everything we do.

P&G Online

- pg.com
- news.pg.com
- facebook.com/proctergamble
- twitter.com/proctergamble
- linkedin.com/company/procter-and-gamble
- youtube.com/proctergamble
- instagram.com/proctergamble

Stock Symbol

PG

Shareowner Services

EQ Shareowner Services serves as transfer and dividend paying agent for P&G Common Stock and Administrator of the Procter & Gamble Direct Stock Purchase Plan. Registered shareholders and Plan participants needing account assistance with share transfers, plan purchases/sales, lost stock certificates, etc., should contact EQ Shareowner Services at:

Website www.shareowneronline.com
Email www.shareowneronline.com
Click Email under the Contact Us section.
Phone Mon–Fri, 7 a.m.–7 p.m., CST
1-800-742-6253 or 1-651-450-4064

P&G Direct Stock Purchase Plan

The Procter & Gamble Direct Stock Purchase Plan (DSPP) is a direct stock purchase and dividend reinvestment plan. The DSPP is open to current P&G shareholders as well as new investors and is designed to encourage long-term investment in P&G by providing a convenient and economical way to purchase P&G stock and reinvest dividends. Highlights of the plan include:

- Minimum initial investment—$250
- Twice-weekly purchases
- 24/7 online account access
- Optional cash investment—minimum $50
- Administered by EQ Shareowner Services

For complete information on the DSPP, please read the Plan Prospectus. The Prospectus and online Plan Application are available at www.shareowneronline.com or by contacting EQ Shareowner Services.

Transfer Agent

EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

Registrar

EQ Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874

Exchange Listings

New York Stock Exchange

Corporate Headquarters

The Procter & Gamble Company
1 P&G Plaza
Cincinnati, OH 45202-3315

Annual Meeting

The next annual meeting of shareholders will be held on Tuesday, October 12, 2021. A full transcript of the meeting will be available from P&G's Assistant Secretary, who can be reached at 1 P&G Plaza, Cincinnati, OH 45202-3315.

Form 10-K

Shareholders may obtain a copy of P&G's 2021 report to the Securities and Exchange Commission on Form 10-K at no charge by going to www.pginvestor.com or by sending a written request to EQ Shareowner Services, P.O. Box 64874, St. Paul, MN 55164-0874.

The most recent certifications by our Chief Executive and Chief Financial Officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K for the fiscal year ended June 30, 2021. We have also filed with the New York Stock Exchange the most recent Annual CEO certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.



The paper utilized in the printing of this annual report is certified to the FSC® Standards, which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

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Recognitions and Awards

P&G's dedication to superiority allows us to serve the world's consumers better and create shareholder value in the process. These recognitions demonstrate our impact as a force for good and a force for growth.

Brands & Innovation

BCG Boston Consulting Group

Most Innovative Companies 2021

IRI Growth delivered



2020 IRI New Products Pacesetter Report: 10 of the Top 25 non-food launches

AdvantageReport

Ranked #1 by retail partners globally

#1 in Overall Performance for 6th year

Environmental Sustainability

TOP 100 Barron's Most Sustainable Companies 2021

MEMBER OF Dow Jones Sustainability Indices In collaboration with SAM a RobecoSAM brand

6 years in a row

Fast Company World Changing Ideas 2021

Equality & Inclusion

BEST Places to Work 2021 for LGBTQ Equality 100% Corporate Equality Index

Named to Forbes 2021 America's Best Employers For Diversity

Bloomberg Gender-Equality Index 2021

Community Impact

3BL Media 100 Best Corporate Citizens 2021

TIME 100 Most Influential Companies 2021

SESAME WORKSHOP

*Recipient of the Sesame Workshop Corporate Leadership Award**

Ethics & Corporate Responsibility

The RepTrak Company™

Named to the 2021 Global RepTrak® 100

America's Most JUST Companies Forbes 2021

Ranked in Top 20

Named to Fortune 2021 Most Admired Companies list

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Explore the digital version of the 2021 P&G Annual Report at *www.pg.com/annualreport2021*



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