
P&G
IT'S OUR HOME
NET ZERO 2040
SEPTEMBER 2021

CLIMATE TRANSITION ACTION PLAN

P&G's purpose begins with improving the lives of the world's consumers, now and for generations to come. We do that by providing products and services of superior quality and value while also taking action on important issues to the company, our consumers, and society. Today, the climate crisis affects every home and family, everywhere in the world. The latest science has made it clear that urgent, decisive action must be taken to avoid the worst impacts of climate change. This means that all of us, including businesses and governments, need to step up and drastically reduce our collective greenhouse gas (GHG) emissions. We invite you to learn more about our company actions and progress through our climate transition action plan.

INTRODUCTION

P&G's journey on climate began over a decade ago. In 2007, P&G established our first goal to reduce GHG emissions from our manufacturing facilities. Since then, we have expanded and accelerated our efforts to address GHG emissions across the life cycle of our products and operations. We were one of the first companies to have a validated science-based target and we have maintained a focus on how product innovation can help consumers reduce GHG emissions during the use of our products. This focus can help us better serve the majority of consumers globally who want the brands they buy to help them live a more environmentally conscious lifestyle.

The climate crisis today requires bold goals supported by credible science-based actions. P&G's ambition is to reach net zero GHG emissions across our supply chain and operations by 2040, with science-based targets for 2030 to make meaningful progress this decade. We may not have all the answers, but we will not let uncertainty hold us back. Our net zero ambition reaffirms our priorities to reduce emissions now, with the tools available to us today, while innovating toward continued reductions in the future. Our new Climate Transition Action Plan (CTAP) outlines our comprehensive efforts to accelerate climate action throughout our value chain.

P&G's science-based approach to achieve net zero GHG emissions will prioritize cutting most of our emissions across our operations and supply chain, from raw material to retailer distribution. For residual emissions that cannot be eliminated, we will use natural or technical solutions that remove and store carbon. Our ambition is simple, but the world of emissions accounting, standards, and targets is quite complex.

76%

Consumers want brands they buy to help them live a more environmentally conscious lifestyle.*

*Study conducted by P&G hosted on Toluna, surveying 5,371 consumers across US, UK, France, Germany, Canada, February, 2021.

INTRODUCTION

The scope of our 2040 net zero GHG emissions ambition aligns with the recommendations of the Climate Action 100+ Net Zero Benchmark[1] and our overall plan covers the entire life cycle emissions of our products and packaging. As such, we are using this CTAP to share the full scope of our climate efforts across our supply chain, operations, consumer use of our products, and product end of life.

This CTAP shares key objectives and targets as well as the strategies and actions we are taking to achieve them. We also describe where there is still work to be done and some of the challenges we anticipate. While we began our GHG emissions reduction efforts over a decade ago, we are at the start of our net zero journey. As we advance, we will be transparent in sharing both our successes and setbacks. We will look to partner with our suppliers, peers, civil society, and experts to not only refine our road map to net zero, but also understand how we can support the broader systemic changes that will be needed to realize the goal of limiting temperature increase to no more than 1.5°C.

We know the task ahead is urgent, difficult, and much bigger than P&G alone, but we're ready to take on the challenge. We welcome you to follow and work with us on our journey to net zero. For more information and ongoing updates about our commitments and progress, please see our ESG Investor Portal. Together, we can create a future that protects our planet, our common home, for generations to come.

IT'S OUR HOME

1. Climate Action 100+ is an investor-led initiative with more than 570 investors who are engaging corporations to take action on climate change via the Climate Action 100+ Net Zero Benchmark.

P&G'S AMBITION TO NET ZERO

Including 2030 science-based targets for Scope 1, 2, and 3 emissions to accelerate progress.

IT'S OUR HOME | NET ZERO 2040

Path to Net Zero by 2040

2010

ACHIEVING INITIAL GOALS

- Reduced operations emissions 52%*
- Reduced truck miles 25% per unit of production
- Avoided 200,000+ tons of plastic through package redesign
- Doubled use of recycled plastic resin
- 100% certified wood pulp in P&G brands
- 100% certified palm ingredients in P&G brands
- 15 million tons of CO_2 reduced through consumer cold water washing

2021

ACCELERATING ACTION

OPERATIONS — Carbon Neutral for the Decade

- Reduce operations emissions, balance remaining emissions via natural climate solutions
- Purchase 100% renewable electricity in global operations by 2030, already at 97%

MATERIALS & PACKAGING

- Reduce supply chain emissions by 40% per unit of production† ††
- Reduce virgin petroleum plastic in packaging 50%

TRANSPORTATION

- Reduce finished product freight emissions intensity by 50%†

2030

SCALING SOLUTIONS

- Scale renewable thermal energy innovation
- Scale renewable carbon, recycled carbon, and captured carbon technologies
- Grow rail and shipping while increasing renewable fuels and energy sources for transportation

Aligned with 1.5°C ambition

2040

OUR AMBITION

NET ZERO

ACROSS OPERATIONS AND SUPPLY CHAIN EMISSIONS — FROM RAW MATERIAL TO RETAILER

- Cut most of our emissions
- Balance any remaining emissions that cannot be eliminated with natural or technical solutions that remove and store carbon

ADDITIONAL PROGRESS VIA OUR CLIMATE TRANSITION ACTION PLAN

Reducing Consumer Use Through Product Innovation and Education

Avoid 30 million tons of CO_2 via cold water washing by 2030

Reducing Product End of Life

100% recyclable or reusable packaging by 2030

Enable more recycling in homes and communities

Pilot and scale materials from recycled carbon

*Against a 2010 baseline.

†Against a 2020 baseline.

††Inclusive of priority categories that account for over 90% of P&G's supply chain emissions.

CLIMATE TRANSITION ACTION PLAN AT A GLANCE

P&G is taking climate action across all facets of its GHG emissions.

P&G IT'S OUR HOME | NET ZERO 2040

MATERIALS & PACKAGING

Reduce supply chain emissions 40% per unit of production* by 2030

Reduce virgin petroleum plastic in packaging 50% by 2030

Pilot and scale materials from renewable carbon, recycled carbon, and captured carbon technologies

OPERATIONS

Reduce absolute emissions as much as possible via energy efficiency and renewable energy

Purchase **100% renewable electricity** by 2030, already at 97%

Pilot and scale renewable **thermal energy solutions**

Advance **natural climate solutions** to balance any emissions we cannot eliminate this decade

TRANSPORTATION

Reduce upstream finished product freight emissions intensity 50% by 2030

Grow rail and shipping while **increasing renewable fuels and energy sources** for transportation

CONSUMER USE

Avoid 30 million tons of carbon emissions via cold water washing by 2030

Create home of the future via 50L Home Coalition to **reduce hot water 10 times less than today** in more water-efficient homes

PRODUCT END OF LIFE

100% recyclable or reusable packaging by 2030

Enable **more recycling** in homes and communities

Create greater supply of recycled materials that can **reduce use of virgin fossil feedstocks**

*Inclusive of priority categories that account for over 90% of P&G's supply chain emissions.

P&G CARBON FOOTPRINT

P&G annually publishes detailed information on our Scope 1, 2, and 3 emissions following the guidelines of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) GHG Protocol Corporate Accounting Standard. P&G obtains 3rd party assurance of our Scope 1, 2, and portions of our Scope 3 inventory.[2] The graphic below summarizes the major categories of GHG emissions for P&G:

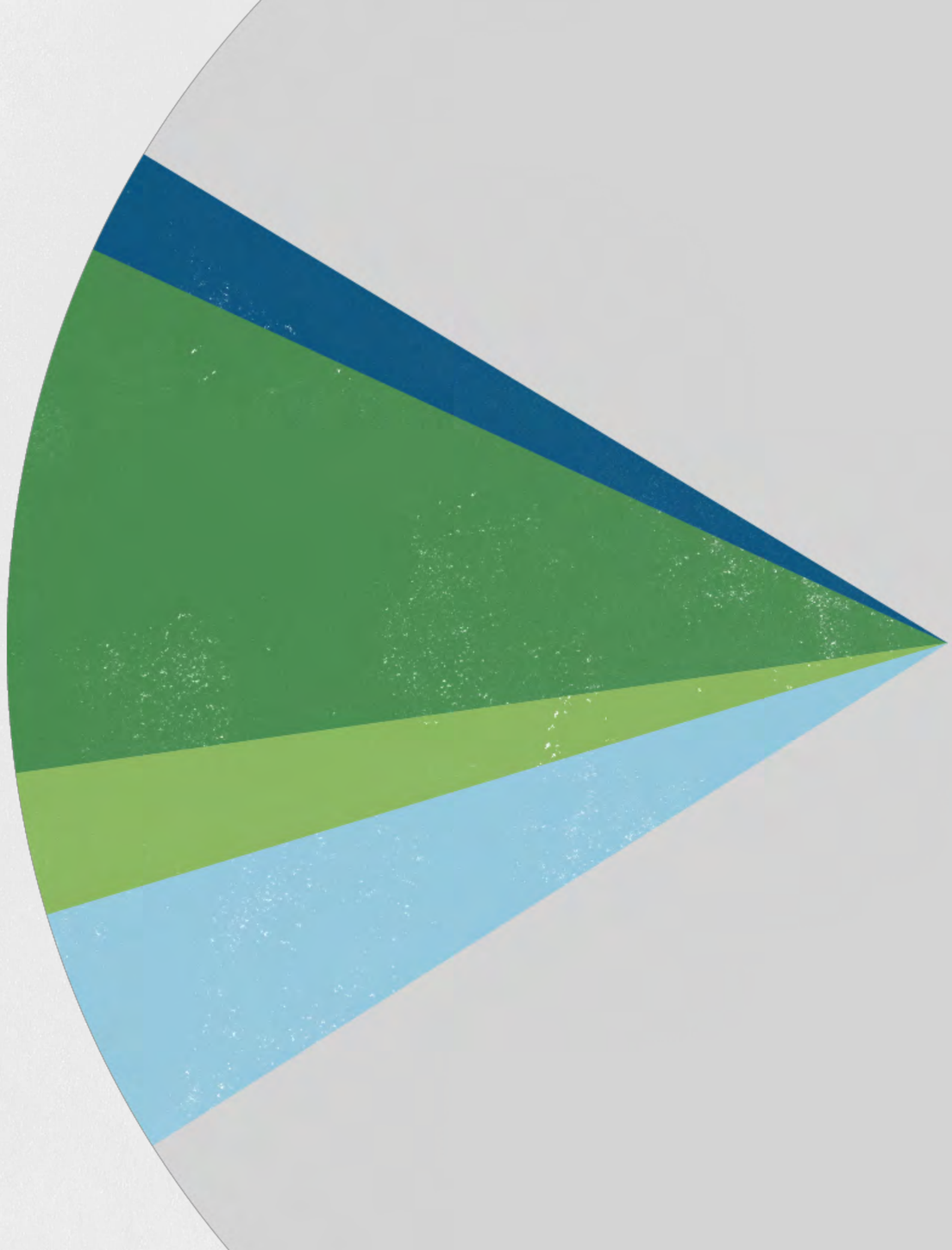
Materials & Packaging (Supply Chain)
16,760,000 (8.5%)

Operations
2,619,000 (1.3%)

Transportation
3,900,000[3] (2.0%)

Consumer Use
164,000,000 (83.3%)

End of Life
9,382,000 (4.7%)



2. P&G obtains 3rd party assurance of our Scope 1 and Scope 2 GHG emissions and for our Scope 3 Business Travel (employee airline travel miles).
3. Transportation data represents inbound shipments of raw materials and outbound shipments of finished products.

WRI/WBCSD GHG STANDARD

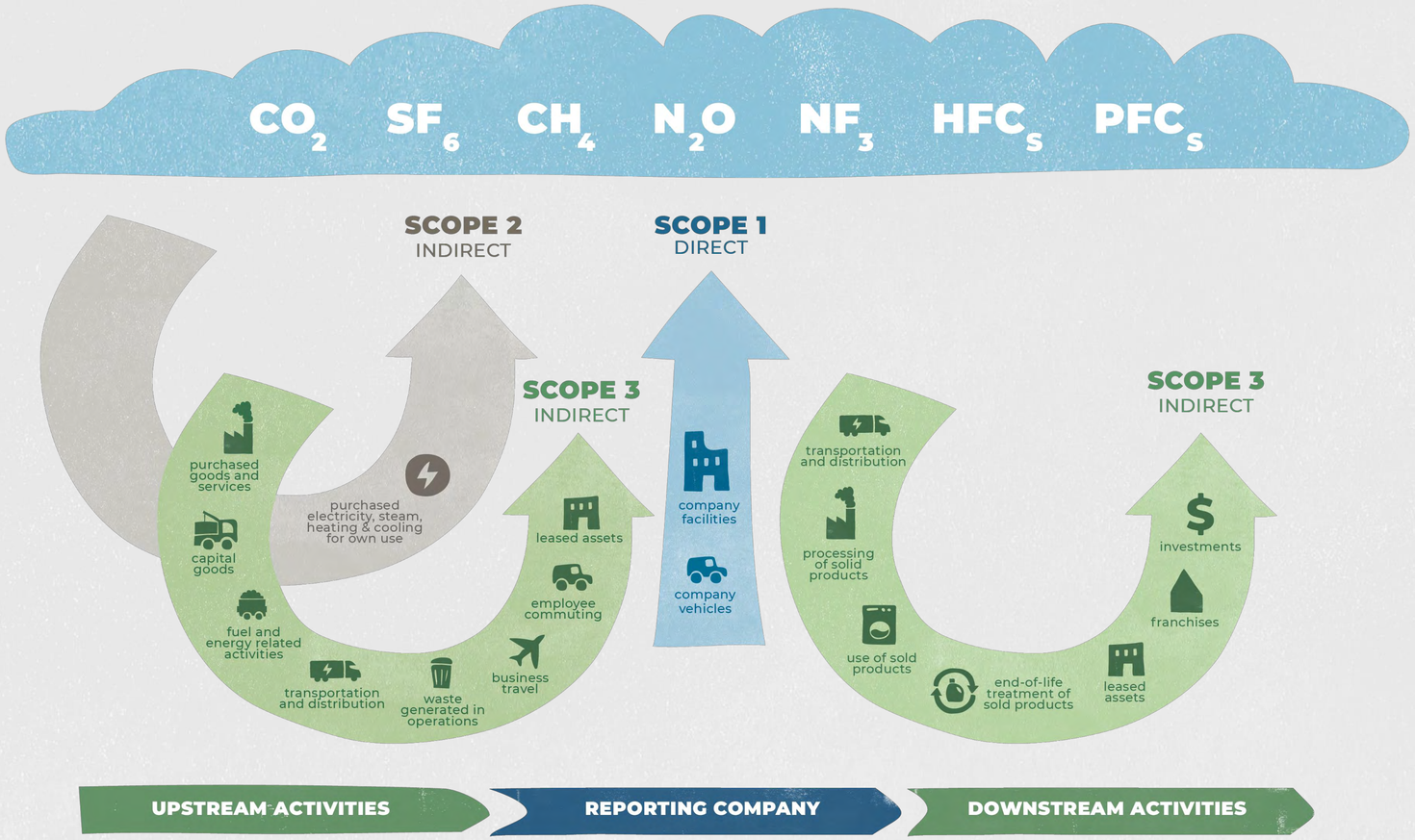


Image from WRI/WBCSD Corporate Value Chain Accounting Guidelines.

WRI/WBCSD GHG ACCOUNTING STANDARDS GENERALLY DEFINE SCOPES 1, 2, AND 3 AS FOLLOWS:

SCOPE 1: Direct GHG emissions from sources owned or controlled by a company.

SCOPE 2: GHG emissions from the generation of purchased electricity and steam.

SCOPE 3: All indirect emissions (not included in Scope 2) that occur in the value chain of the company, including upstream and downstream emissions.

EMISSIONS COVERED BY OUR NET ZERO AMBITION AND OUR CLIMATE TRANSITION ACTION PLAN

CO_2 SF_6 CH_4 N_2O NF_3 HFC_s PFC_s

WHAT WE CONTROL
PRODUCT CREATION

WHAT WE CONTRIBUTE
PRODUCT MATERIALS AND DISTRIBUTION

WHAT WE INFLUENCE
PRODUCT USE AND END-OF-LIFE

SCOPE 1

FUEL COMBUSTION, COMPANY VEHICLES

SCOPE 2

PURCHASED ELECTRICITY AND STEAM

SCOPE 3

RAW MATERIALS, TRANSPORTATION & DISTRIBUTION

SCOPE 3

USE OF SOLD PRODUCTS AT HOME, WASTE DISPOSAL

AMBITION TO NET ZERO 2040

COVERED BY OUR CLIMATE TRANSITION ACTION PLAN

MEASURING OUR SCOPE 3 EMISSIONS

Scope 3 emissions are, by definition, outside the direct control of a company and can be difficult to measure as they can occur across the value chain and include consumer use of products. For some categories of Scope 3, such as distribution and business travel, we have been able to work with our supply chain partners to get direct data on GHG emissions associated with distribution of P&G products and employee travel airline miles. However, for many other categories we rely upon the science of life cycle assessment (LCA) to provide estimates of GHG emissions based on widely used life cycle data inventories, supplier data when available, P&G data on purchase volumes, production volumes, and consumer practices data. This is a common approach used in industry and academia and reflects that in many cases, Scope 3 emissions are estimates with varying degrees of uncertainty.

As we advance our efforts to drive towards net zero emissions, we will be working with our supply chain partners to begin to collect more primary data on supply chain emissions which will provide an opportunity to recognize those suppliers who have been able to drive reductions in their own Scope 1, 2, and 3 emissions

Estimates derived from life cycle assessment (LCA) data will continue to play a role in our ability to measure and track Scope 3 emissions.

Explaining Net Zero Scope & Product Use Emissions

The scope of our net zero ambition aligns with recommendations from the Climate Action 100+ Net Zero Benchmark, an investor-led initiative to assess the world's largest companies on their progress toward net zero. In their benchmark for the consumer goods and services sector, Scope 3 emissions from purchased goods and services are the recommended scope. (Climate Action 100+ Net Zero Company Benchmark PDF, page 5.)

According to the WRI/WBCSD Greenhouse Gas Protocol, there are two types of product emissions: 1) direct use-phase emissions – products that directly consume energy and 2) indirect use-phase emissions – products that indirectly consume energy during use, including consumer products. The GHG protocol states the minimum scope when developing a GHG inventory is direct consumer use phase emissions, but it encourages companies to go beyond the minimum scope when indirect use is significant. Indirect consumer use is over 80% of our total emissions, so P&G continues to make it a major focus area for reducing carbon emissions.

MATERIALS & PACKAGING

MATERIALS & PACKAGING

P&G's ambition is to achieve net zero supply chain emissions by 2040. As a step on that journey, we have established a target to achieve a 40% reduction[4] in supply chain emissions per unit of production by 2030 for the priority categories that account for over 90% of our supply chain emissions – a target submitted to the Science-Based Targets Initiative (SBTi).

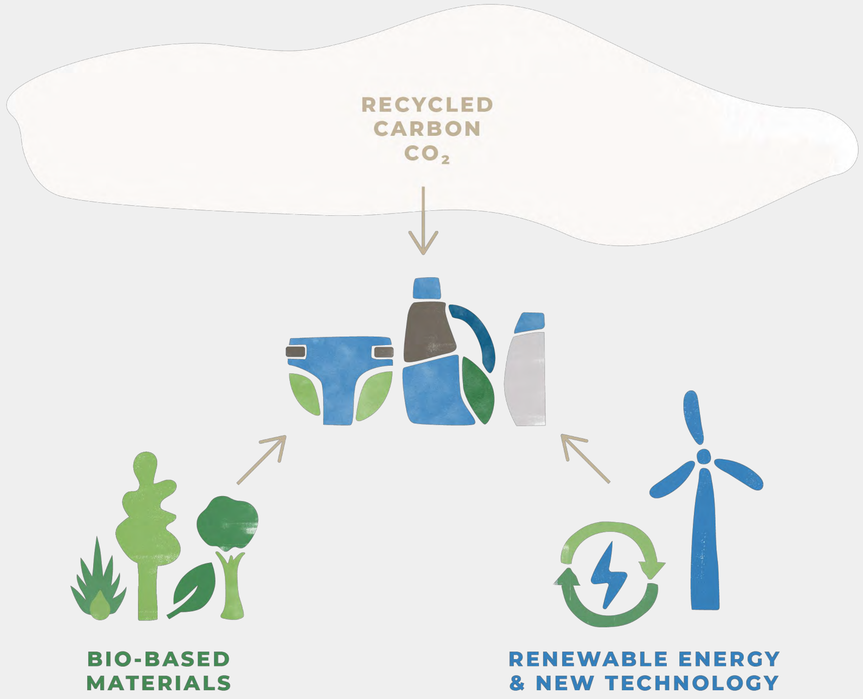
The priority categories that account for over 90% of our supply chain emissions include Laundry Detergents, Fabric Enhancers, Shampoo, Conditioner, Body Wash, and Baby Diapers. While these categories are in scope for SBTi goal tracking and reporting, all categories company-wide will be activating plans to reduce emissions in pursuit of net zero.

4, From a 2020 baseline.

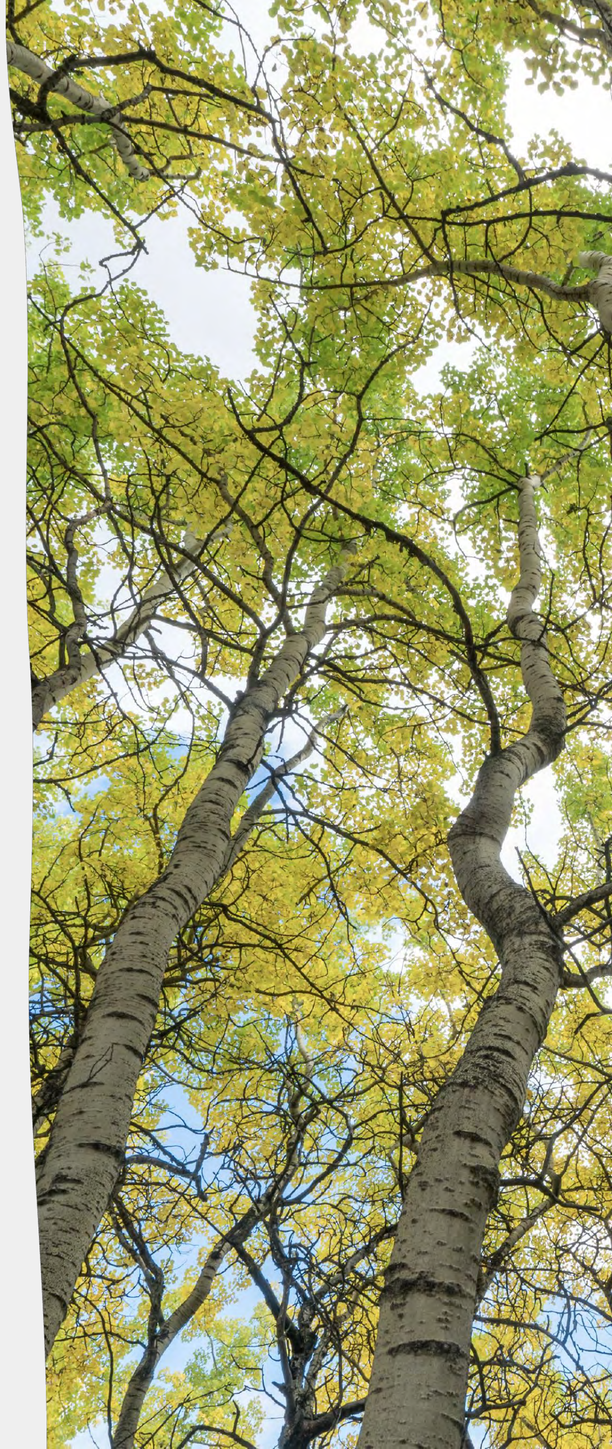
MATERIALS & PACKAGING

P&G has been a leader in materials innovation and further innovation will be a key enabler of reducing supply chain emissions.

The specific strategies we plan to pursue to drive progress against our goals and ambition include:



- Increasing material mass efficiency – using less material to deliver the same job to be done
- Using bio-based materials
- Using recycled carbon (e.g., carbon derived from waste materials or the atmosphere)
- Developing new materials and technologies that reduce GHG emissions
- Partnering with suppliers to explore renewable energy and carbon-efficient manufacturing processes and understanding potential applications of carbon capture and storage to reduce supply chain emissions



MATERIALS & PACKAGING

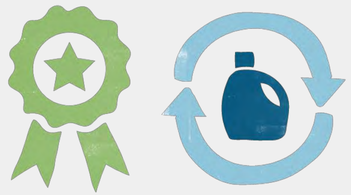
While it will take time for each of our categories to build out road maps to net zero supply chain emissions, innovation to enable that transition is already well under way. Recent examples include:

Tide Ingredients Made from Captured CO_2

Our Tide brand is working with Twelve, a Silicon Valley start-up, to explore their carbon transformation technology to incorporate ingredients made from captured CO_2 into the manufacturing of Tide. Twelve's technology converts captured CO_2 emissions into chemicals using just water and renewable energy as inputs – creating a potential fossil-free pathway for ingredient sourcing.

Award-Winning Green Chemistry

P&G scientists won the 2020 American Chemical Society (ACS) Award for Affordable Green Chemistry for inventing a technology that converts lactic acid into bio-based acrylic acid – creating a pathway for a range of everyday products to be made from annually renewable crops. P&G has exclusively licensed the technology to Cargill to further develop and commercialize so that it can be used in a range of applications, including super-absorbent polymers in diapers. Cargill estimates that using annually-renewable crops can enable development of renewable solutions that have less than half the GHG footprint versus petroleum-based equivalents.



Reducing Climate Impact Through Systemic Change

HolyGrail – A Digital Solution For Sustainability Challenges

P&G believes in the power of digital watermarks to step-change recycling for the better. In 2016, we partnered with The Ellen MacArthur Foundation to establish HolyGrail – a collaborative effort designed to solve one of the largest obstacles facing plastic recycling: inefficient sorting at recycling facilities.

Digital watermarks may only be the size of a postage stamp, but they carry a wide range of attributes such as packaging type, material, and usage. P&G will support the test market industrial trials with more than 100 of our products in Europe. These items carry a digital watermark and as such, will provide the opportunity to demonstrate that digital watermarks have potential to be leveraged to improve waste sorting and to achieve more efficient recycling. We continue to work as members of the HolyGrail initiative to advance this project and highly appreciate the support of the Alliance to End Plastic Waste in enabling the vision of HolyGrail 2.0.

Read more at digitalwatermarks.eu about HolyGrail 2.0 and how we're partnering with organizations including AIM – European Brands Association and the Alliance to End Plastic Waste to use technology to enable a more circular economy.

Purifying Recovered Plastics – Recycling More Carbon

P&G scientists invented a technology that can remove contaminants and colors from used polyolefin plastic. As part of a multi-faceted approach, the technology can play a key role in the plastics recycling industry. This innovation enables P&G and companies around the world to tap into sources of recycled plastics that deliver nearly identical performance and properties as virgin materials in a broad range of applications. We have licensed this technology to be scaled so it can become an industry-wide solution.

INVESTING IN INNOVATION

P&G established a new Product Supply Innovation Center (PSIC) in Kronberg, Germany to leverage P&G innovation and serve as the hub for collaboration with a network of local suppliers, tech companies, R&D institutions, and top universities, developing solutions that are global, scalable, and modular to decarbonize its supply chain.

With the new PSIC, we aim to accelerate innovation, transformation, and implementation of intelligent supply chain operations with new solutions from one of the world's leading markets for sustainability innovation and industry. The market also offers a rich ecosystem for future partnerships with research institutes, businesses, universities, and other thought-leading stakeholders in the Rhine-Main region. Concepts and learning from P&G's new PSIC will make full use of the disruptive breakthroughs in cyber-physical systems, internet of things connectivity, and ubiquitous intelligence across materials, assets, and processes. Innovations developed in the PSIC and its ecosystem will be disseminated globally for P&G's 200 sites to inspire and guide sustainable progress in the entire FMCG industry. P&G is investing significantly in talent and facilities as well as learning labs encompassing about 50 employees with diverse skills in the areas of sustainability, manufacturing intelligence, and supply chain.

Wood Pulp

The wood pulp used in our paper-based products is 100% third party certified to globally recognized forestry management standards. These standards help ensure that for every tree harvested, at least one is regrown. As these new trees grow, they sequester CO_2 from the atmosphere and convert it to biomass. Well-managed forests can maintain and enhance carbon sinks, especially in a changing climate where an increase in forest fires, insect disturbances, and permanent deforestation can cause forests to become carbon emitters. Indicator: Forest carbon emissions and removals (nrcan.gc.ca).

P&G is partnering with Forest Stewardship Council (FSC) US and FSC Canada to measure the forest carbon impacts of FSC forest certification. Initial research by Preferred By Nature and others indicate FSC certification positively impacts forest carbon. We will continue to monitor relevant developments on carbon sequestration of forests and accounting guidelines for forest supply chain emissions. While supply chain emissions from our wood pulp supply chain represent a small portion of our Scope 3 emissions, ensuring responsible sourcing of wood pulp remains a priority and we will continue to transparently communicate our progress via our ESG Investor Portal and our annual P&G Citizenship Report.

Palm Oil

Surfactants (cleansing ingredients) are important to a range of our fabric and beauty care products. Palm oil and palm kernel oil are used to manufacture some surfactants. Ensuring responsible sourcing of palm-derived materials is not only an obligation of our company but will also serve to reduce GHG emissions. Today, P&G brands use 100% Roundtable for Sustainable Palm Oil (RSPO)[5] certified palm-derived materials and we estimate that our use of RSPO-certified palm-derived materials has reduced GHG by about 30% based on a life cycle assessment study (Schmidt J and De Rosa M, 2019). Comparative Life Cycle Assessment of RSPO-certified and Noncertified Palm Oil.

Overall, we would estimate that palm-derived materials currently contribute ~ 10% of our overall supply chain emissions. Responsible sourcing of palm-derived materials remains a priority and we will continue to transparently communicate our progress via our ESG Investor Portal and our annual P&G Citizenship Report.

5. RSPO is the Roundtable for Sustainable Palm Oil, which maintains standards and certification systems for sustainable sourcing of palm oil.

ELIMINATING DEFORESTATION IN OUR SUPPLY CHAINS

Ensuring the health of the world's forests will play a critical role in reducing GHG emissions. P&G uses two commodities, palm oil and wood pulp, that have potential deforestation risks in their supply chain. P&G aims to eliminate deforestation and forest degradation in our supply chains and has responsible sourcing programs in place for both palm oil and wood pulp. Additional details on our responsible sourcing programs can be found via:

- P&G ESG Investor Portal
- P&G Forestry Practices Report
- P&G Forest Practices Report Supplement


OPERATIONS

OPERATIONS

P&G's ambition is to achieve net zero operational emissions by 2040. As an important step on that journey, we have established a target to achieve a 50% reduction[6] from our operational emissions by 2030 – a target validated by the Science-Based Targets Initiative (SBTi).

From 2010 to 2020 we have reduced absolute emissions across our global operations 52% through energy efficiency and renewable electricity, while still growing our business. As we continue to advance progress, our objective will be to reduce emissions as much as possible.

Our past efforts have established a strong foundation on which to accelerate reductions in the GHG emissions from our operations. Most recently we have delivered the following results:

2030 GOAL	RESULTS
50% ABSOLUTE REDUCTION IN SCOPE 1 & 2 GHG EMISSIONS (VS. 2010)	52%[7]
PURCHASE 100% RENEWABLE ELECTRICITY	97%[8]

6. From a 2010 baseline.
7. As of June 30, 2020.
8. As of June 30, 2021.

In 2021, the United States Environmental Protection Agency recognized P&G as #5 on its National Top 100 list of green power users and #2 on its Top 30 list for on-site renewable power generation nationwide, making us top-rated in the consumer products industry.

EPA GREEN POWER PARTNER

Tyler Bluff Wind Farm

OPERATIONS

As we advance our efforts we will continue to focus on the following key strategies:

Energy Efficiency

Over the last decade we have maintained a strategic focus on improving energy efficiency. Since 2010, we have improved energy efficiency per unit of production by 19%, which has also enabled hundreds of millions of dollars in cost savings and ongoing improvements. We will continue to focus on energy efficiency as a key strategy to drive further reductions in GHG emissions.

Renewable Electricity

P&G has made significant progress toward our 100% renewable electricity goal by purchasing 97% renewable electricity globally as of June 30, 2021. We are helping bring new renewable electricity projects online through long-term partnerships that will result in over 500MW of new clean energy, enough electricity to power 125,000 US homes every year. While the purchase of unbundled renewable energy certificates (RECs) has been and will remain part of our renewable energy portfolio, our primary focus will continue to be development of new renewable energy projects that bring long-term, zero emissions renewable energy capacity on-line.

THE POWER OF PARTNERSHIPS

Partnerships and collaboration have been and will continue to be a key part of our strategy to drive progress on our net zero GHG emission ambition. Examples include:

Renewable Energy Buyers Alliance

P&G partnered with WWF and several other companies to help form the Renewable Energy Buyers Alliance (REBA). Today, REBA is a membership association for large scale energy buyers seeking to procure renewable energy across the United States. REBA has played a key role in helping unlock new renewable energy opportunities for P&G and other REBA members.

REBA
Renewable Energy Buyers Alliance

Renewable Thermal Collaborative

P&G partnered with WWF, C2ES, 45 other companies, and local governments to create the Renewable Thermal Collaborative (RTC). This coalition is committed to scaling renewable heating and cooling at their facilities to drastically cut carbon emissions. We see collaborative efforts like RTC as critical to helping enable development of renewable thermal sources that are sustainable, scalable, and cost-competitive.

RENEWABLE THERMAL COLLABORATIVE

Renewable Thermal Energy

While we are well on our way towards our goal of purchasing 100% renewable electricity, our biggest challenge going forward will be finding viable solutions for renewable thermal energy. Today, we primarily use natural gas to generate heat in manufacturing operations that have a significant thermal energy need. Natural gas has a better GHG emissions profile than other nonrenewable fuels but we recognize the need to reduce, and ultimately minimize, our natural gas GHG emissions. The journey to eliminate GHG emissions from our use of natural gas will be challenging, and we know that it will require a transition to renewable fuels and other sources of renewable thermal energy that are not broadly available at scale today. We have made significant progress via a biomass powered combined heat and power (CHP) facility co-located at our Albany, GA plant that provides 100% of the plant's steam requirement. This renewable energy project was enabled by factors unique to that location, including the availability of adequate quantities of responsibly sourced biomass. We will continue to evaluate biomass as a possible solution for thermal energy needs, recognizing it may not be feasible for other locations, and will also be evaluating a range of potential solutions such as:

- **Heat optimization**
- **Electrification including use of heat pumps**
- **Geothermal**
- **Renewable thermal (e.g., renewable natural gas, renewable hydrogen)**

In addition to items listed above, we intend to explore the role that carbon capture, utilization, and storage, can play to reduce emissions in circumstances where GHG generation is not avoidable. It is too soon for us to ascertain what extent carbon capture may play but we believe by assessing a broad portfolio of technologies, we will enable a broader solution set that can be optimized across our diverse manufacturing locations and processes.

P&G has a proven track record of delivering our targets through company leadership support of the investments and resources needed to deliver our goals. Our senior leadership has aligned to our net zero ambition and our intent is to place the necessary resources in place to drive progress. As we advance our efforts we will be integrating relevant costs into our financial analysis and forecasting tools so our leadership can continue to make informed decisions.

BRINGING OUR NET ZERO AMBITION TO LIFE

In 2021, P&G identified multiple manufacturing locations that would serve as our first "net zero" pilots. Partnering with industry experts, we have gone through a systematic assessment of "what would need to be true" to enable net zero emissions at these sites. As these roadmaps are finalized and implemented, the pragmatic learnings will be scaled and shared across our global network of manufacturing sites to further reduce GHG emissions. By driving focused pilot activities early in our journey, we will derive key learnings that should enable acceleration of future efforts.

P&G'S GLOBAL JOURNEY TO 100% RENEWABLE ELECTRICITY

To learn more about P&G's sustainability progress, visit: Mapping our impact | Procter & Gamble (pg.com)

As part of P&G's ambition to net zero by 2040, we are committed to purchasing 100% renewable electricity by 2030 to help pace our progress. Our sites within the US, Canada, China, and Europe are just a few of those already using 100% renewable electricity today, and we have accelerated progress to 97% purchased renewable electricity globally. We will continue to transition to reach 100% renewable electricity – across all of our 140+ sites in nearly 40 countries.

ALBANY, GEORGIA

This co-located combined heat and power biomass facility uses locally sourced renewable fuels to provide 100% of the Bounty and Charmin steam requirements at this site.

TYLER BLUFF, TEXAS

Our wind farm offsets 100% of the electricity used by P&G's Fabric and Home Care facilities across the US and Canada.

IRAPUATO, MEXICO

The Gillette Milenio plant uses 100% wind electricity to make blades and razors.

EUSKIRCHEN, GERMANY

Our Baby Care facility uses 100% renewable electricity to produce Pampers for multiple countries across Europe.

PORT QASIM, PAKISTAN

This Pantene and Head & Shoulders manufacturing plant purchases 100% renewable electricity.

SHIGA, JAPAN

This SK-II manufacturing plant purchases 100% renewable electricity.

TAICANG, CHINA

Designed around the concept of a Chinese water garden, this site uses 100% wind electricity to produce Beauty and Fabric Care products.

HYDERABAD, INDIA

This manufacturing plant purchases 100% renewable electricity.

OPERATIONS

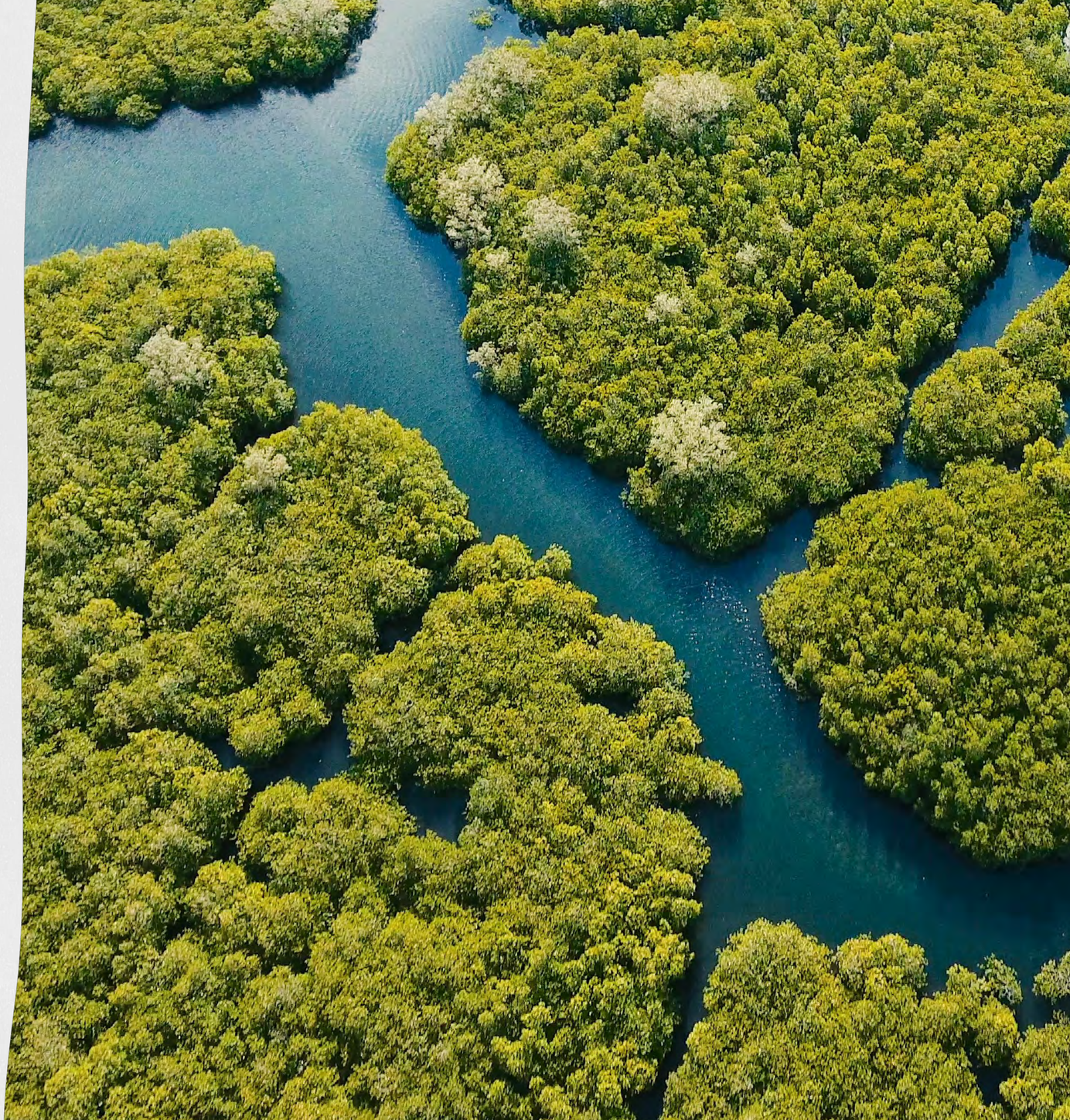
Important Role of Natural Climate Solutions

Recent reports from the UN Intergovernmental Panel on Climate Change have reinforced the urgency with which society needs to reduce GHG emissions to the atmosphere. We recognize our top priority is to reduce absolute GHG emissions and we have accelerated our efforts to do so – delivering a 52% reduction since 2010. We continue to evaluate and invest in new solutions that will drive reductions even further. In the interim, we have a powerful solution today that can reduce CO_2 in the atmosphere – nature. Research has shown that natural climate solutions (NCS) can deliver up to one-third of the GHG emissions reductions needed globally this decade and deliver meaningful co-benefits for people and nature.

P&G Operations Carbon Neutral for the Decade

In 2020, P&G committed to advancing natural climate solutions that will balance any remaining Scope 1 and 2 emissions we cannot eliminate through 2030 – effectively making our manufacturing operations carbon neutral for the decade. These include new projects that help protect and restore forests and other ecosystems essential to the people and wildlife that call them home.

Our commitment to natural climate solutions recognizes the power of nature to deliver meaningful carbon, community, and ecosystem benefits now.



TRANSPORTATION

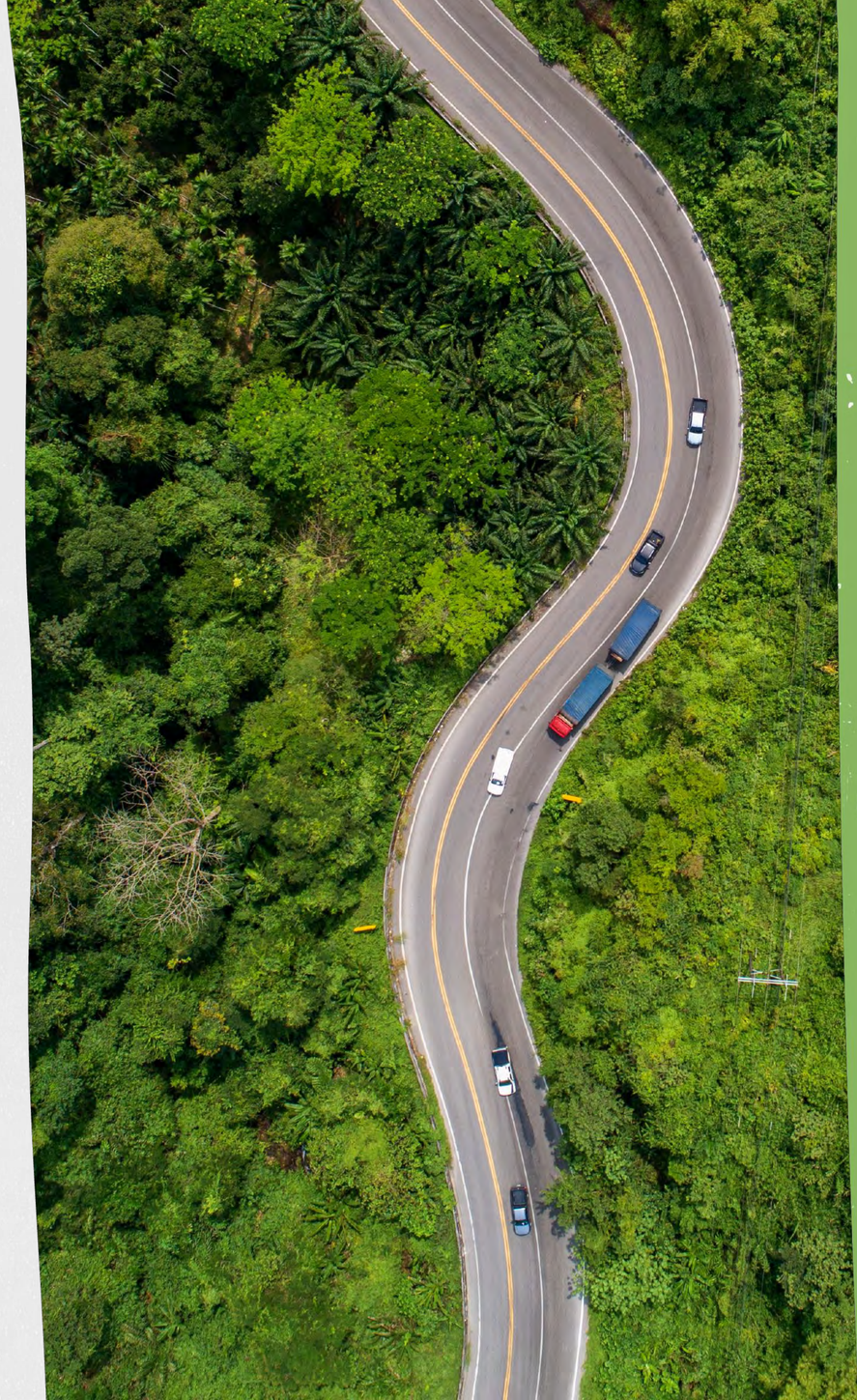
TRANSPORTATION

P&G's ambition is to achieve net zero emissions by 2040 for inbound transportation of raw materials and outbound transportation of finished products. As an important step on that journey, we have established a goal to reduce our upstream finished product freight emissions intensity 50% by 2030, versus a 2020 baseline – a target submitted to the Science Based Targets Initiative.

P&G has been focused on optimizing transportation for many years and in 2010 set a goal to improve truck transportation kilometers per unit of volume 20% by 2020. We exceeded this goal, delivering and maintaining efficiency improvement of more than 25% since 2016.

P&G also adopted the global industry leading greenhouse gas calculation methodology, called GLEC, accounting for the emissions across all life cycle activities (Well-To-Wheel) for any type of transport mode.

50%
EFFICIENCY IMPROVEMENT



PARTNERING TO DRIVE SCALE

It will take innovative partnerships and collaboration with carriers, retailers, and the broader transportation industry to find unique ways to deliver our products with fewer miles.

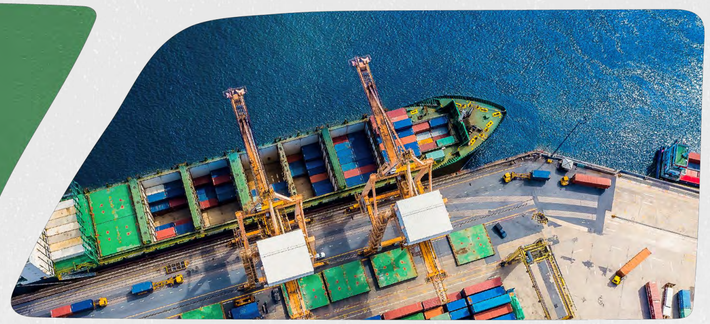
SMARTBox
Before products such as toothbrushes, razors, and deodorants reach the retail shelves, they are repackaged several times in different transport boxes/containers on their way to the consumer. This is a significant source of waste. Next, the difference in dimensions of these boxes/containers do not allow optimized stackability, resulting in a less-than-optimal truck fill upon transportation.

P&G is partnering with GS1 Germany, industry, and trade to develop and test the reusable GS1 SMARTBox, an isomodular, exchangeable box that represents a sustainable solution for all parties involved. The GS1 SMARTBox offers many advantages: the exchange and cleaning of the boxes is done by a pool partner, industry shares the costs, the trucks are optimally loaded and utilized, and unnecessary packaging material is reduced.

TRANSPORTATION

We will utilize a range of strategies to advance progress towards our 2030 goal, and our 2040 net zero ambition. We will take a comprehensive approach, including the following:

- Increased intermodal (rail and ship) utilization
- Vehicle and container fill rate improvements
- Utilization of alternative powered vehicles, including fully electric or alternate fuels
- Supply network optimization to reduce our total transportation impacts
- Supply chain analytics to identify and drive transportation efficiency improvements
- Industry partnerships to support development of innovative solutions and drive their adoption



Increase Maximum Allowed Payload

Another way to reduce the number of trips needed to transport products is by increasing the maximum allowed payload. P&G joined the Safer Hauling & Infrastructure Protection coalition, which aim to increase the maximum truck weight on the US Interstate Highways from 80,000 lbs to 91,000 lbs. The increase in weight with the addition of a sixth axle (via the same truck dimension), reduces fuel consumption, CO_2, NOx, and congestion costs. Furthermore, the Minnesota Department of Transportation found that the addition of a sixth axle created a 37% reduction in road wear.

Collaborate with Sustainable Carriers

P&G was recognized with a 2020 EPA SmartWay Excellence Award as one of the top 10 large shippers in the US. Through the SmartWay Excellence Award program, the US Environmental Protection Agency (EPA) recognizes leading shippers, logistics companies, and freight carriers that are optimizing the environmental performance and efficiency of their freight operations, while serving as role models for other businesses to follow. P&G was awarded this recognition because over 99% of our carriers are SmartWay partners and over 70% of them are in the top two efficiency classifications within SmartWay (out of five).

S.H.I.P. SAFER HAULING & INFRASTRUCTURE PROTECTION

Partnership with Key Retailers

P&G partnered with Carrefour in Spain, installing a megatruck (52 pallet capacity) between Mataro and Madrid. Apart from the more efficient payload, P&G and Carrefour designed a roundtrip supply chain, significantly reducing the empty mileage, improving greenhouse gas efficiency by 16%.

P&G Received a 2020 SmartWay Excellence Award

"Our employees are our secret weapon. Whether your job is managing vehicle fill, modeling new supply chain routes, or developing innovation for the next generation of low emissions vehicles – **everyone can be a sustainability champion,** driving fewer miles."

Michelle Eggers
Vice President NA Market Operations & Global Logistics Purchases

SmartWay Excellence Award Recipient 2020

CONSUMER USE

Making a Difference through Collective Action

We are doing more to make a collective impact – partnering with consumers to reduce GHG emissions from the use phase of products, creating carbon-efficient homes of the future, and advocating for policy solutions to decarbonize energy infrastructure.

Making Sustainability Effortless at Home

We believe we should do everything we can to make it as easy as possible for our consumers to live sustainably at home, because we know even small changes at home can make a big difference for our planet. P&G and its brands will continue to provide consumers with tools and information on how small actions at home can make a world of difference for the planet.

[Procter & Gamble | #ItsOurHome - Small Actions at Home Can Make A World of Difference - YouTube]

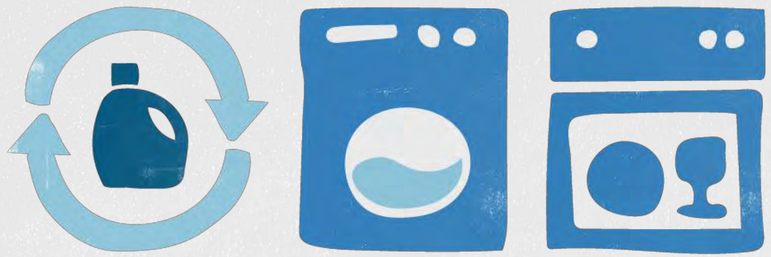
CONSUMER USE

Reducing Emissions from Consumer Use Now

As the energy infrastructure decarbonizes, emissions associated with the consumer use phase should decrease significantly. However, it will take time to decarbonize the energy infrastructure and we have an opportunity to reduce emissions now. Helping further reduce household energy consumption now can accelerate the transition to renewable energy as it helps lower the overall renewable energy generation required to cover household needs – speeding the transition or enabling more renewable energy capacity for other applications.

Reducing 15 Million Tons of Carbon through Cold Water Washing and Accelerating Impact with an Additional 30 Million Tons by 2030

In the US and Canada alone, people do 25 billion loads of laundry each year. That's a lot of laundry, and little actions all add up.



P&G has made a collective impact by leveraging innovation and sustained consumer education to reduce the largest portion of our carbon footprint – the energy needed to heat water during product use. In 2010, P&G brands Tide and Ariel made a commitment to have 70% of machine loads be low-energy cycle by 2020. We achieved that goal. Since 2015, the avoided emissions from US consumers increasing their use of low-energy laundry cycles have been roughly 15 million metric tons of carbon dioxide, which is more than five times larger than P&G's yearly global operational emissions. Tide and Ariel are driving greater use of cold water washing through new education campaigns. These efforts can help avoid an additional 30 million tons of carbon emissions by 2030 – more than ten times P&G's yearly global operations.

Cold water washing enables fabric longevity and helps clothes last longer, which is important because the textile industry can represent up to 10% of global GHG emissions. Cold water washing is better for the environment and also saves money on consumers' energy bills.

CONSUMER USE

Creating the Home of the Future

We are advancing solutions to decarbonize homes with industry partners via the 50L Home Coalition. The 50L Home Coalition is a global action-oriented platform that convenes leaders from the private, nonprofit, and public sectors to develop and scale viable technologies that address two of our most pressing global challenges: water security and climate change. By helping people reduce and track their use of hot water without trade-offs, the Coalition is bringing to life the low-carbon home of the future that can use 10 times less water than most use today – and by extension, less energy to heat that water.

END OF LIFE

END OF LIFE

Consistent with our holistic life cycle approach, we will be assessing opportunities to decrease emissions associated with end of life. Some of these emissions are associated with biodegradation of our products and ingredients. Making materials from recycled waste carbon, reducing materials derived from virgin fossil feedstocks, and improving mass efficiency are strategies we will explore to help reduce these emissions.

Driving greater circularity of our packaging at end of life is a priority for the company. GHG emissions associated with the end of life of plastic packaging represent a relatively small portion of our end-of-life emissions but our ongoing efforts to increase the recyclability and recycling rate of packaging can help reduce these emissions by:

- Creating a greater supply of recycled materials that can reduce use of virgin fossil feedstocks
- Diverting materials from incineration (in markets where incineration is relevant)

END OF LIFE

We have a goal to use 100% recyclable or reusable packing and are supporting a number of efforts to increase recycling of our packages. While we highlight a few examples below, more detailed information on these efforts is available via our ESG Investor Portal.

Film and Flexible Package Recycling

P&G joined The Recycling Partnership and 21 other partners to form the Film & Flexibles Coalition. Film and flexible packaging often enable significant light weighting that can drive GHG emissions reduction across the life cycle but are difficult to recycle with typical curbside collection. Members of the Coalition are working together to advance a three-part plan to advance recycling of film and flexible packaging:

1. Gather data on the impacts of available collection methods
2. Assess the most promising technological interventions and pilot new interventions
3. Implement national interventions to drive the recycling of film and flexible packaging

Piloting Refill and Reuse Models

Head & Shoulders, Pantene, Herbal Essences, and Aussie are working to enable 200 million European households to recycle, reduce, and reuse the packaging by launching a refill system for their shampoo bottles. The effort introduces a new reusable 100% aluminum bottle and recyclable refill pouch, made using 60% less plastic (per mL versus standard brand bottle).

POLICY ADVOCACY

CLIMATE JUSTICE & EQUITY

GOVERNANCE

REPORTING & TRANSPARENCY

SOURCES OF UNCERTAINTY

POLICY ADVOCACY

We believe government policy will play an important role in helping drive needed GHG emissions reductions and the greening of energy infrastructure. Harmonized, holistic, and science-based climate policy can provide business the predictability and consistency needed to help inform investment choices and help accelerate global progress on emissions reductions.

P&G has publicly advocated for policy actions that serve to advance the objectives of the Paris Agreement. This includes supporting efforts and statements such as the White House Business Act on Climate Change, the We Mean Business Pledge, Business Backs Low Carbon USA, the Ceres Climate Declaration, and the Paris Pledge for Action. More recently we have joined the Business Ambition for 1.5° C and the UN's Race to Zero Campaign.

P&G is a founding member of the Climate Leadership Council (CLC) which is seeking to develop a bipartisan carbon dividends approach for the United States that will drive GHG reductions commensurate with those called for by the Paris Accords and benefit the vast majority of Americans. We are also members of Americans for Climate Dividends which advocates for adoption of the CLC plan. As the United States is our largest market and currently lacks a comprehensive climate policy approach, supporting development of sound climate policy in the United States is an important priority for the company.

Our Global Government Relations Organization ensures that our policy advocacy is consistent with our publicly stated objectives, goals, and positions. The trade associations of which we are members are aware of our policy positions, including those related to climate change. In all cases, any P&G position on a matter of public policy is the prevailing company position, irrespective of any trade association position. We are consistent in the positions we share with external stakeholders as well as in our trade association engagement. We view this as a matter of integrity, and we act in accordance with our company's Purpose, Values and Principles (PVPs). We have proactively communicated with key trade associations when we felt their positions on climate did not align with ours, which in turn resulted in productive discussions with those associations.

P&G discloses information on direct lobbying and percentage of our trade association dues that were used to support lobbying efforts in the United States.

CLIMATE JUSTICE & EQUITY

It is clear the impacts of climate change are not felt equally among people around the globe. Often it is the most vulnerable who are disproportionately impacted. As we advance our efforts, we will ensure the programs and projects we support help drive equitable solutions. For example:

- In addition to our commitment on human rights in our supply chain, a component of our palm oil program is working with small, independent farmers (smallholders) to help them improve yields from their farms. Improved yields increase income, reduce pressure to encroach on existing forested lands, and provide an opportunity to verify good sourcing practices – driving down potential supply chain emissions.

- P&G is a member of the Climate Leadership Council (CLC) which advocates for a carbon dividends program as the primary policy option to drive needed GHG reductions in the United States. Oxford Economics was commissioned by the Climate Leadership Council to model the distributional effects of its Dividends Plan on total real household disposable income for years one through five of their plan. The report concluded the plan has positive income distribution effects across the US as lower income households see a larger proportional boost in their spending power.[9]

9. This study is available at the following link: https://clcouncil.org/report/oxford-economics-analysis/

GOVERNANCE

Given the broad scope of our efforts and the importance of this topic, governance of climate change efforts is critically important. The full Board is involved in our long-term risk management and strategic planning. And while the Governance & Public Responsibility Committee of the Board specifically oversees P&G's climate-related efforts as an aspect of its environmental sustainability oversight, the other Board Committees also review climate and environmental issues as they impact matters such as risk management, compensation, and innovation. The members of our Board have a broad range of industry experience and skills to help manage and assess relevant risks and opportunities. The details of our governance process are outlined in the following public report, aligned with the Task Force on Climate Related Financial Disclosures (TCFD): P&G TCFD Report.

In addition, to reinforce the importance of these efforts, the Board's Compensation & Leadership Development Committee recently decided to connect aspects of senior executive compensation to our progress on certain long-term equality and inclusion and environmental sustainability goals, including specific goals related to climate change. As explained further in our 2021 Proxy Statement, this reinforces leadership accountability for our climate efforts and helps ensure we are committing the resources and making the investments needed to drive progress against our goals.

REPORTING & TRANSPARENCY

P&G provides extensive information and disclosures related to our climate change efforts. These include:

- TCFD Report: We have issued a report consistent with recommendations from the Task Force for Climate Related Financial Disclosures. Our most recent report is available via this link: P&G TCFD Report.
- CDP Disclosure: P&G has responded to CDP disclosure requests for climate, water, and forestry.
- ESG Investor Portal: P&G has created an ESG Investor Portal on our pginvestor.com website. The intent of this portal is to provide access to information on a range of ESG topics, including climate change. P&G ESG Investor Portal

Our GHG emissions inventory has been assured by an independent third party for several years and we plan to continue that practice going forward. This process covers all Scope 1 and 2 emissions, as well as Scope 3 data related to employee business travel.[10]

P&G discloses information on direct lobbying and percentage of our trade association dues that were used to support lobbying efforts in the United States.

10. P&G obtains 3rd party assurance of our Scope 1 and 2 GHG emissions and for our Scope 3 business travel (employee airline travel miles).

SOURCES OF UNCERTAINTY

As we advance our journey towards net zero, we know there is a level of uncertainty that could impact our plans and timelines. Over time, we expect levels of uncertainty will decrease and highlight some relevant considerations below:

- **Scope 3 Measurement:** As discussed earlier in this document, Scope 3 data are often estimates derived from life cycle assessments (LCA). Working in partnership with our suppliers to explore how we can refine primary data estimates will be an important element of our work going forward. New insights and potential barriers as we work to refine Scope 3 measurements could impact our plans and timelines.
- **GHG Accounting**: Today we adhere to current GHG Accounting Guidelines, including those related to biogenic carbon. Should current accounting practices and norms change, that could impact our plans and timelines.
- **Technology & Material Innovation:** Our ambition indexes to 2040, creating a window for technology and material innovation to advance. While our initial roadmaps will be based on what we believe to be true, we cannot predict with certainty how enabling technology may evolve. Rapid advancement or unexpected barriers in technology development could impact our plans and timelines.
- **Business Acquisition & Divestiture:** It is possible that P&G may acquire or divest businesses. The nature and scope of any future acquisition or divestiture could impact our plans and timelines.
- **Renewable Thermal Energy:** The biggest challenge we face to drive further reductions to our Scope 1 emissions is identifying viable options for renewable thermal energy. As discussed earlier in this document, we are exploring multiple strategies related to thermal energy but acknowledge that many of the technologies being explored today have yet to be proven at scale. The viability of renewable thermal options is a factor that could impact our plans and timelines.

We will not let uncertainty hold us back and we will be transparent in sharing both our successes and our setbacks as we move forward towards our net zero ambition. We know the task ahead is urgent, difficult, and much bigger than P&G alone, but we're ready to take on the challenge.

We welcome you to follow and work with us on our journey to net zero. For more information and ongoing updates about our commitments and progress, please see our ESG Investor Portal.

Together, we can create a future that protects our planet, our common home, for generations to come.

FORWARD-LOOKING STATEMENTS

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

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

IT'S OUR HOME | NET ZERO 2040