



Climate Change Risks & Opportunities

Given increasing stakeholder interest in climate change and the risk and opportunities it may present for companies, P&G has created this document to provide additional perspective on climate change implications that could be relevant for the Company and the steps we are taking to address them.



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Governance

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

CLIMATE COUNCIL

Chair Global Director of Sustainability

Participants Climate and energy leaders from Manufacturing, R&D, Government Relations, and Procurement

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

Meets Quarterly

Governance Links The Chair of Climate Council (Director of Sustainability) is part of the Sustainability Leadership Council and brings relevant climate related issues to the Sustainability Leadership Council for awareness, strategic guidance, alignment to proposed actions and goals, as well as discussion of budget needs.

SUSTAINABILITY LEADERSHIP COUNCIL

Chair Executive Sponsor for Sustainability
(Currently President of Global Fabric Care)

Participants CEO and Chairman of the Board, Chief R&D Officer, Chief Marketing Officer, Chief Product Supply Officer, Chief Legal Officer, President of European Sales & Marketing Organization, VP of Communications, VP of Sustainability, Director of Sustainability

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

Meets Quarterly. Climate Change is not a standing agenda item but items are brought forward for discussion on an as needed basis.

Governance Links The CEO and Chairman of the Board sits on the SLC and can bring relevant climate related items to the Company's Board of Directors and its Governance and Public Responsibility Committee which has oversight of Corporate Citizenship efforts, including climate.

BOARD OF DIRECTORS (Governance & Public Responsibility Committee)

The Governance & Public Responsibility Committee of the Board of Directors has oversight for Corporate Citizenship efforts, which includes Environmental Sustainability and related issues like Climate Change. Climate Change is not a standing agenda item at every Committee meeting, but relevant topics are brought forward for discussion on an as-needed basis. On a regular basis, members of this Committee are provided with an update on overall progress of programs and goals, which includes efforts related to climate change.

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

Climate Change Risks

The most relevant risks and impacts that climate change presents for our Company are:

- 1 Governments implementing policies/fees/taxes on carbon intensive energy or materials, which could result in higher costs for the company and consumers.
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- 2 Increased severity/frequency of extreme weather events. Loss or impairment of key manufacturing sites, inability to procure sufficient raw materials, disruption to transportation of raw materials or finished goods, etc. as result of an extreme weather event could disrupt our operations if the response to such an event is not effectively managed & remedied.
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- 3 Chronic changes to precipitation/increasing water stress are relevant risks for our operations, supply chain, and consumer use of our products (e.g. sufficient water for laundry, dishwashing, showers, etc.).

To better inform our identification of relevant risks and impacts, P&G's Climate Council reviewed transitional and physical risks identified in the Task Force for Climate Related Disclosure Guidelines and conducted a qualitative scenario analysis for two different scenarios:

2° Scenario Informed by IPCC AR5 RCP 2.6, this scenario presumed CO2 emissions peak in 2020 and decrease while global temperature increases by up to 2° C. Under this scenario, we assumed regulatory and policy interventions by governments successfully controlled GHG emissions and that the impacts of physical risks (e.g. extreme weather) were not significant. In this scenario the primary impacts were higher costs for carbon intensive fuels, operations, and goods.

4° Scenario Informed by IPCC AR5 RCP 8.5, this scenario presumed the carbon budget is exhausted by 2045 and global temperature rises by up to 4.8°C by 2100. Under this scenario we assumed widespread policy failure to limit GHG emissions and lack of investment in low carbon technologies. In this scenario, the physical risks from climate change were much more relevant (e.g., frequency and intensity of extreme weather events, water scarcity and food shortages impacting the stable functioning of consumer markets and the ability of consumers to use/buy our products).

The analysis of climate related risks and impacts support the conclusion that, without any action, climate change could present risks to the business—primarily from regulatory/policy actions that could increase the costs of energy and the potential for increased frequency/severity of extreme weather events disrupting operations or supply chain. Given the immense variability in how the aforementioned focus areas could potentially impact the company, trying to credibly quantify the potential impacts is extremely difficult. However, we believe the comprehensive and prudent actions we are already taking will serve to limit the impacts of short- and mid-term risks posed by climate change. Modeling of long term impacts (e.g. 2100) is a helpful tool for scenario analysis and we will continue to monitor the latest science and data related to short-, mid-, and long-term impacts of climate change and adjust our strategy accordingly.

Strategy & Risk Management

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

Reducing our energy consumption and GHG emissions

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

- 1** We are reducing scope 1 and 2 GHG emissions. We have a goal to reduce GHG by 50% on an absolute basis by 2030 (vs. 2010 baseline). This is a Science Based Target that supports the objective of limiting global temperature increase to 2°C or less.
- 2** We are increasing our use of renewable energy. We have a goal to use 30% renewable energy globally by 2020; 100% renewable electricity by 2020 in North America; and 100% renewable electricity globally by 2030.
- 3** We are reducing overall energy consumption. We have a goal to reduce energy by 20% per unit of production by 2020 (vs. 2010 baseline). To date we have achieved a 22% reduction per unit of production, a 12% reduction on an absolute basis, and saved ~ \$500MM from energy conservation efforts.

Helping Consumers reduce their GHG Emissions

To understand which product categories had the highest GHG emissions during the consumer use phase, we conducted a comprehensive, lifecycle based carbon footprint analysis for our product portfolio. We now know the greatest impact is associated with the use phase of our products that have traditionally used hot water during the consumer use phase (laundry, dish, hair care). As a result, we have put a sustained focus on cold water washing for laundry, developing detergents that deliver outstanding performance in cold water and launching education campaigns to encourage consumers to switch to cold. We have seen the percentage of loads done in low energy cycles increase from ~35% to ~67% since 2010. Given the performance of our detergents in cold water, we believe this represents an opportunity to better meet consumer needs. Similarly, the performance of our HE detergents helps optimize performance of HE machines, helping consumers realize the savings in both energy and water that HE machines can deliver.

Policy Engagement

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

Strategy & Risk Management

Business Continuity Planning

Extreme weather events represent a potential risk. Loss or impairment of key manufacturing sites, inability to procure sufficient raw materials, disruption to transportation of raw materials or finished goods, etc. could disrupt our operations if they are not effectively managed & remedied. We have ~130 manufacturing sites globally and a broad supplier network. This provides some level of flexibility to adjust production and sourcing. In addition, each site has a business continuity plan, which is regularly reviewed and updated. These plans include considerations for disruptions caused by extreme weather events.

Proactively assessing and mitigating water related risks

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

- All manufacturing sites are covered by our water risk assessment process. This is a tiered risk assessment. We have screened all sites and are moving ~20 sites into Tier III (sites most at risk for water stress). These sites will need to develop site-specific water stewardship plans to mitigate potential risks.
- We have conducted risk assessment for key consumer markets, and combined with data on manufacturing sites and supplier locations, we are identifying priority basins around the world where we will implement collaborative efforts to improve water security in those regions.
- We have an existing goal to provide 1 billion consumers access to water efficient products. These are products that offer a significant reduction of water use during the consumer use phase. By providing access to WEPs, we can better serve consumer needs in areas experiencing water stress.

Metrics

P&G has established the following goals and metrics related to climate change. We report progress publicly each year as part of our annual citizenship report:

- 30% absolute reduction in Scope 1 and 2 GHG emissions by 2020 (baseline 2010)
- 50% absolute reduction in Scope 1 and 2 GHG emissions by 2030 (baseline 2010)
- 100% Renewable Electricity by 2030
- 20% reduction in energy consumption, per unit of production, by 2020 (baseline 2010)
- 20% reduction in truck km per unit of production by 2020 (baseline 2010)
- 70% of machine washing loads done in low energy cycles

In addition to reporting progress vs. these goals, P&G also publishes the following data on an annual basis: Energy consumption (gigajoules), Scope 1 GHG emissions (metric tons), and Scope 2 GHG emissions (metric tons).