



Our Approach to Tax

DECEMBER 2022



Welcome.

Tax transparency has become ever more important for responsible companies. This includes not only disclosures of taxes paid but also insights into the underlying tax strategy.

Corporate responsibility is the foundation for all P&G's Citizenship efforts. P&G is focused on meeting consumer needs everywhere we do business, while creating value for our shareholders and continuing to be a good corporate citizen. Sustainable tax policy and a balanced, transparent approach to tax are elements of corporate responsibility. Not only does this build trust and equity with consumers and the broader set of stakeholders we serve, when done with the right intentions and with meaningful actions, it drives growth and value creation, which allows us to continue to be a force for good and a force for growth in our world.

Our approach to tax is guided by our Purpose, Values and Principles (PVPs). P&G seeks tax certainty in order to achieve predictable and sustainable financial outcomes that positively impact all stakeholders. As a recognized transparent and low-risk taxpayer, we do not pursue aggressive tax planning. P&G's finance and accounting function has overall responsibility for tax governance and stewardship. We implement our approach to tax through our Core Tax Principles, which guide the Company's and our employees' actions and ensure that we pay tax that is consistent with our business activities and the laws of the countries in which we operate.

P&G's total tax contribution of \$10.5 billion during fiscal year 2022 is a key part of our economic contribution globally.

This report provides context for our total tax contribution, including details on our global operations, because how we pay taxes is based on our business substance in each country in which we operate. We also provide insights into how we implement our Core Tax Principles. Whether through attention to tax compliance, a multi-layered approach to tax risk management, alignment of investment choices with long-term business needs and objectives, or the enhanced levels of cooperation and transparency we seek when working with governments, our Core Tax Principles are consistently present in our actions.

P&G intends to maintain an open dialogue on our approach to tax, as well as on our commitment to our Core Tax Principles and their impact on internal and external stakeholders. We believe that principled taxation leads to economic stability and prosperity for all countries, people and businesses.

A stylized blue ink signature of Andre Schulten.

ANDRE SCHULTEN
Chief Financial Officer

P&G's Approach to Tax

- ✓ **Our Purpose, Values and Principles (PVPs) guide our approach to all taxes across the globe.**
- ✓ **We seek tax certainty to achieve predictable and sustainable financial outcomes that positively impact all stakeholders.**
- ✓ **We are recognized as a transparent and low-risk taxpayer and do not pursue aggressive tax planning.**

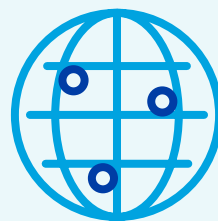


Total Tax Contribution

In fiscal year 2022, our global activities resulted in a Total Tax Contribution of approximately \$10.5 billion.

Our Total Tax Contribution consists of \$5.5 billion of taxes borne by P&G and \$5.0 billion of taxes collected and remitted to governments. Our taxes borne includes \$3.8 billion of corporate income taxes paid by P&G.

[See page 6 to learn more](#)

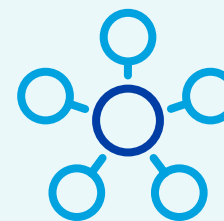


Global Operations

Our global business includes a portfolio of daily use brands where product performance drives brand choice.

P&G's global operations are structured to leverage scale, ensure clear organizational responsibilities, and to enable empowered and agile decision making.

[See page 10 to learn more](#)



Our Core Tax Principles

Our Core Tax Principles are the foundation of our approach to taxes globally.

P&G wants to be known, through words and concrete actions, as a company that is responsibly governed, behaves ethically, and is open and transparent with governments in our tax affairs.

[See page 16 to learn more](#)

P&G's Purpose, Values and Principles

P&G's Purpose, Values and Principles (PVPs) have guided our business for more than 180 years and are the foundation of our culture.

Our Purpose is to improve consumers' lives in small but meaningful ways, and it inspires our people to make a positive contribution every day. Our Values of Integrity, Leadership, Ownership, Passion for Winning and Trust shape how we work with each other and with our partners. And our Principles articulate our deliberate approach to conducting work every day.

If you cannot make pure goods and full weight, go to something else that is honest, even if it is breaking stone.

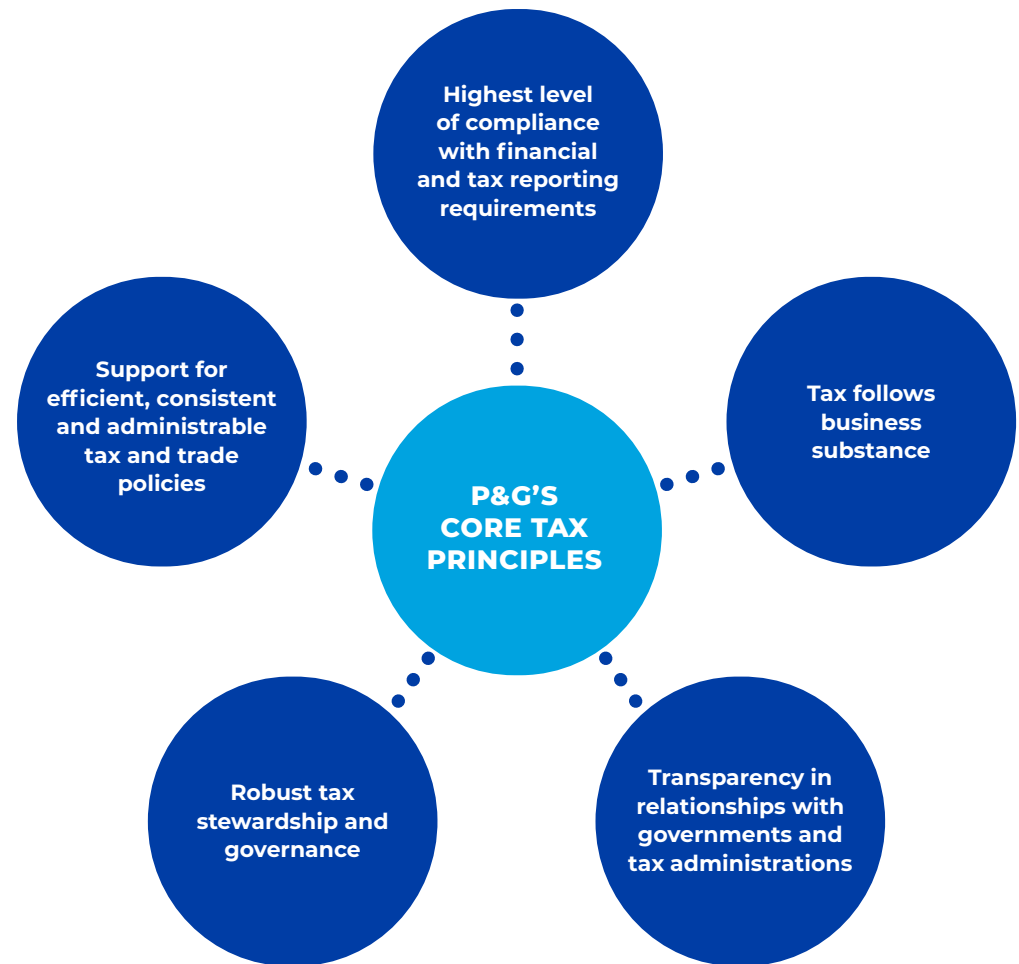
— James Gamble, Company founder, 1870



P&G's Core Tax Principles

P&G's Core Tax Principles are based on our PVPs and are the foundation to our approach to taxes globally.

P&G wants to be known, through words and concrete actions, as a company that is responsibly governed, behaves ethically, and is open and transparent with governments in its tax affairs.



Total Tax Contribution



P&G's Income Tax Overview

	2022	2021	2020
NET SALES	80,187	76,118	70,950
Earnings Before Income Taxes	17,995	17,615	15,834
Income Tax Expense	3,202	3,263	2,731
Income Taxes Paid	3,818	3,822	3,550

The financial data presented above is from our fiscal year ended June 30, 2022 U.S. GAAP financial statements.

P&G's income tax expense reported in our Annual Report comprises all income taxes expensed by P&G throughout the world.

Income taxes paid includes all cash payments made to tax jurisdictions during the fiscal year.

Income taxes paid during an individual fiscal year are determined by the laws of the countries in which we operate and can relate to a prior fiscal year or the current fiscal year. The total amount of corporate income tax P&G pays in cash each year will be different than the income tax expense reported in our Annual Report due to the timing of the payment of our income tax obligations as well as due to deferred income taxes.

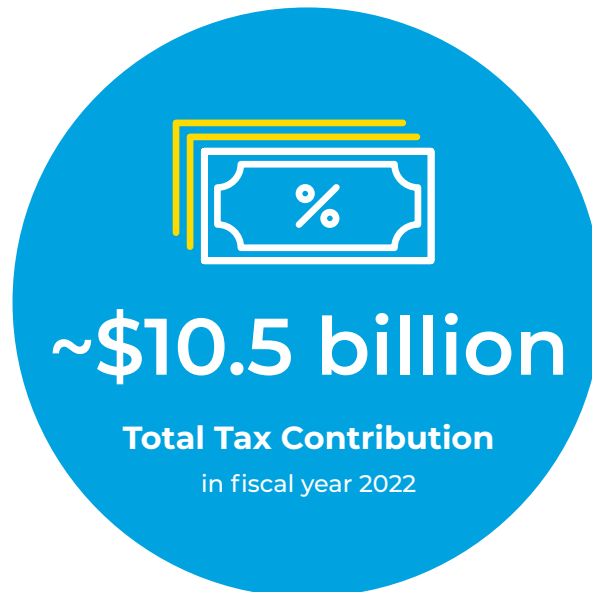
Deferred income taxes arise from the difference in the timing of the recognition of income or expense in P&G's financial statements compared to when that same income or expense is recognized under applicable tax laws of the countries in which we operate. For example, the amount of annual depreciation expense for a fixed asset may be different between the tax law of a country and the applicable accounting rules. This difference will result in the recognition of deferred income tax expense or benefit in P&G's financial statements. Deferred income tax ensures recognition of all tax expense in P&G's income statement, including known future income tax obligations, in line with applicable accounting principles.

For more information, please see Footnote 5 to our Financial Statements included within our [2022 Annual Report](#).

P&G's Total Tax Contribution

Taxes are a significant element of P&G's economic contribution.

P&G's business activities have a positive economic impact in the countries in which we have operations. Our economic contributions come in many ways, including money invested to build P&G facilities, salaries and wages we pay to our employees, and payments we make to suppliers that support P&G's operations. Taxes directly borne by P&G, as well as taxes collected and remitted by P&G are a significant form of economic contribution and are a direct result of our presence in each country in which we operate.



What is Total Tax Contribution?

P&G's Total Tax Contribution is the total of taxes borne and taxes collected.

Taxes borne are taxes that represent a cost to P&G and are reflected in our income statement. Examples of taxes borne include corporate income taxes, property taxes, non-creditable value added taxes (VAT) and other sales taxes, and employer-paid payroll taxes.

Taxes collected are those that are generated by P&G's operations but are not a cost to the company. Rather, P&G is responsible for collecting the taxes on behalf of revenue authorities and remitting the taxes to the governments. Examples of taxes collected include VAT and employee income taxes and social security withheld.

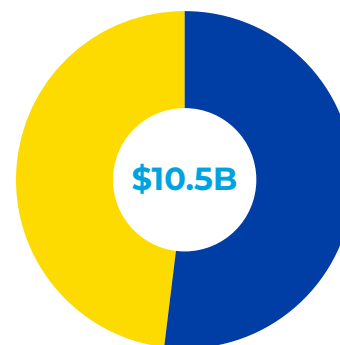
P&G's Total Tax Contribution

In the year ended June 30, 2022, our global activities resulted in a Total Tax Contribution of approximately **\$10.5 billion** around the world.

Our Total Tax Contribution is comprised of approximately **\$5.5 billion** of taxes directly borne by P&G and approximately **\$5.0 billion** of taxes collected by P&G and remitted to governments.

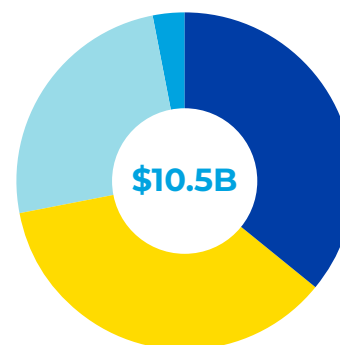
Corporate income tax payments amounted to about **\$3.8 billion**, while other taxes borne and collected were about **\$6.7 billion**, consisting of employment taxes, value-added taxes, sales taxes, excise taxes, property taxes and customs duties.

P&G's tax contribution in each jurisdiction is the result of the interaction between the applicable tax laws and regulations and our business operations in the country.



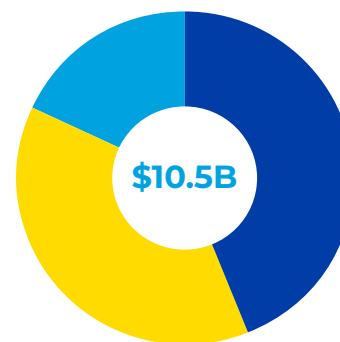
TAXES BORNE AND TAXES COLLECTED

● Taxes Borne	52%
● Taxes Collected	48%



TOTAL TAX CONTRIBUTION BY TYPE OF TAX

● Corporate Income Taxes	36%
● Employment Taxes	36%
● Transactional Taxes	25%
● Other Taxes	3%

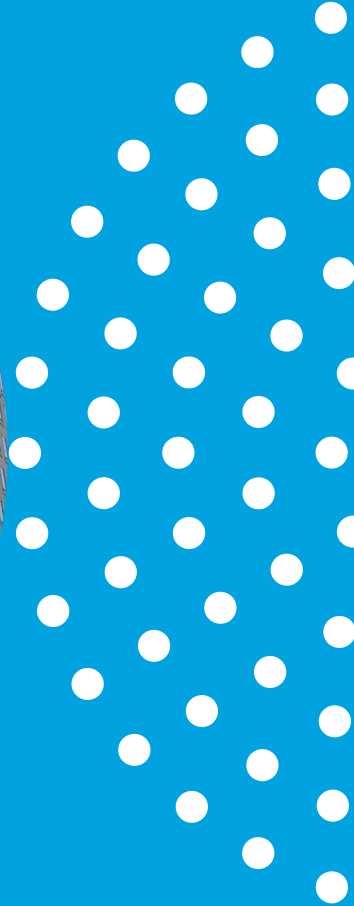


TOTAL TAX CONTRIBUTION BY GEOGRAPHY

● North America	44%
● Focus Markets (excl. North America)	38%
● Enterprise Markets	18%

Focus and Enterprise markets are [described here](#).

Global Operations



A History of Innovation

P&G is one of the world's leading consumer goods companies. We serve consumers around the world with one of the strongest portfolios of trusted, quality leadership brands—with the consumer at the center of all we do.

The Procter & Gamble Company was founded in Cincinnati, Ohio, in 1837 by William Procter and James Gamble. For over 180 years, P&G has challenged the norm and inspired the future.

Over our history, P&G has transformed from a local soap and candle company to a globally scaled organization that manages a diverse portfolio of innovative products designed to meet consumer needs around the world. Innovation and consumer understanding are at the core of P&G's business. Our first Research and Development (R&D) lab opened in 1890. Today P&G spends approximately \$2 billion per year on R&D activities. In addition to solving consumer needs, P&G's innovation has been responsible for the creation of entirely new consumer categories.

Learn more about [P&G's portfolio of brands](#) and [P&G's more than 180 years of history](#).



Introduced in 1879, **Ivory** was an innovative bar of soap that could be used for both laundry and bathing, and it remains one of our most legendary brands.



In 1961, P&G developed **Pampers**—a better and more affordable disposable diaper.



Launched in 1998, **Swiffer** combined our knowledge of highly absorbent nonwoven fabrics with our expertise with cleaner solutions, leading to easier cleaning for all.



In 2012, **Tide Pods** broke through the laundry category with its single dose format designed to be an all-in-one detergent, stain remover and brightener.



In 2020, the **Oral-B iO** reimagined brushing from the inside out, delivering superior design, performance and experience for a professional clean feeling every day.

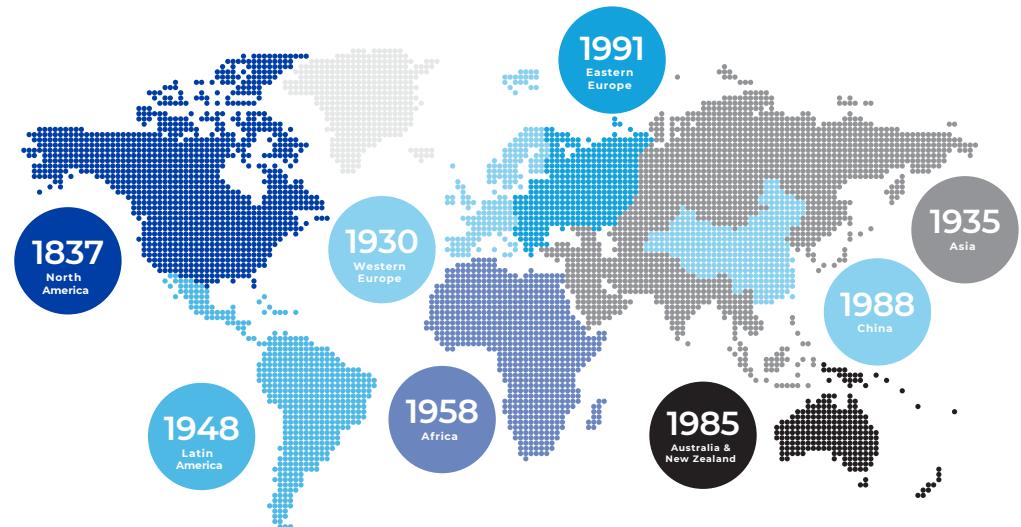
Global Expansion

P&G's global operations have evolved over the course of our history. There are now approximately 106,000 P&G people in approximately 70 countries.

In 1837, P&G began operations in Cincinnati, Ohio, with a focus on supplying soap and candles to consumers locally, and then throughout the United States. P&G's international expansion began in 1915 with the establishment of a manufacturing facility in Canada. P&G has funded our international expansion by reinvesting our earnings in plants, distribution facilities, infrastructure, and operating costs.

P&G has operated through three primary business models over our more than 180 year history. During our first 80 years, P&G focused on the U.S. market. During the next 85 years, our international business operations were run through a decentralized country model in which each country operated with a large degree of autonomy. About 20 years ago, as our international business expanded, P&G adopted a regionally focused business model. The adoption of a regionally focused business model has enabled P&G to leverage global scale, build broadly recognized brands, enhance organization capabilities, clarify decision making responsibilities, and manage effective and efficient regional supply chains.

Today, P&G employs approximately 106,000 people in approximately 70 different countries where we have a physical presence. These countries account for approximately 98% of our global sales. In total, our products are sold in approximately 180 countries and territories, including more than 100 countries in which our products are sold through third-party distributors. P&G has manufacturing operations in nearly 40 countries.



Today's Organizational Structure

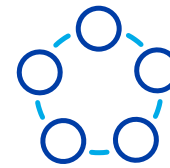
Located in our headquarter locations, our five Sector Business Units (SBUs) are responsible for the success of our brands.

Today, P&G operates through five industry-based SBUs: Fabric and Home Care; Baby, Feminine and Family Care; Beauty; Grooming; and Health Care. We manage our 10 product categories within these SBUs. The SBUs are responsible for the overall success of our brands, including identifying consumer insights that lead to P&G's product development and innovation pipeline.

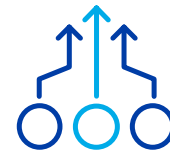
Within each region, SBUs organized through Regional Business Units have direct sales, profit, cash, value creation and supply chain responsibility for our largest and most developed markets, called Focus Markets—accounting for about 80% of Company sales and 90% of after-tax profit.

The rest of the world is organized into Enterprise Markets that are managed by regional leadership teams located in our headquarter locations. The SBUs provide innovation plans, product supply capacity and predefined operating strategies to the Enterprise Markets to enable delivery of mutually agreed business goals.

Physically located in each market, Market Operations teams represent P&G externally and provide market services and capabilities, including customer teams, transportation, warehousing and logistics support.



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



Providing greater clarity on responsibilities and reporting lines



Strengthening leadership accountability

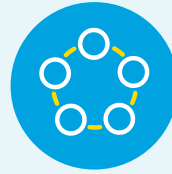


Enabling P&G people to accelerate growth and value creation



RESEARCH & DEVELOPMENT (R&D) TECHNICAL CENTERS

P&G's BU focused R&D teams develop new product technologies and help to convert consumer needs into improved product offerings.



BUSINESS UNITS (BUs) — HEADQUARTER LOCATIONS

Located in our six HQ locations, BUs are responsible for the success of P&G's brands and own all strategic as well as day-to-day business management and investment decisions.

- BUs identify consumer needs, define P&G's innovation pipeline and collaborate with R&D teams to develop new or improved products.
- BUs determine marketing and commercial strategies and investment priorities, including product portfolio and initiatives, product pricing and promotions, brand communication, competitive responses, and inventory demand planning.
- BUs make all product supply chain decisions, including raw material sourcing, capital investment and when and where to manufacture P&G products.

How Do P&G Products Arrive in the Hands of Consumers?



RAW MATERIALS

Raw materials arrive at P&G manufacturing locations for conversion to finished products.



MANUFACTURING

P&G manufacturing sites, located in about 40 countries, convert raw materials into finished products based upon directions received from the BUs.

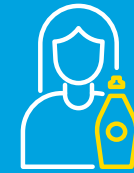


Finished products are shipped from manufacturing sites.



MARKET OPERATIONS

Sales and distribution teams, located in about 70 countries, sell P&G products to retail trade customers and execute product promotion and marketing plans designed by the BUs.



Consumers

P&G serves about 5 billion consumers with our products in approximately 180 countries and territories.



Customers

P&G products are almost entirely sold through traditional retail channels and third-party e-commerce platforms.

KEY

- Management direction, control, and oversight
- Product supply chain

A Company of Leading Brands



Daily use



Performance drives brand choice

Our portfolio is organized around 10 product categories. They are daily use categories where performance drives brand choice. These are categories where we have leading market positions and where product technologies deliver performance differences that matter to consumers. Across all 10 of our categories, we are focused on meaningful and noticeable superiority in all elements of our consumer proposition — products, packaging, brand communication, retail execution (in-store and online) and superior value — in each price tier where we compete.

BEAUTY



Skin & Personal Care

Hair Care

GROOMING



Grooming

HEALTH CARE



Personal Health Care

Oral Care

BABY, FEMININE AND FAMILY CARE



Baby Care



Feminine Care



Family Care

FABRIC AND HOME CARE



Fabric Care



Home Care

Core Tax Principles



Highest level of compliance



Highest Level of Compliance with Financial and Tax Reporting Requirements



Highest Level of Compliance with Tax and Financial Reporting Requirements

P&G maintains the highest level of tax and financial reporting compliance everywhere we operate.

Across the globe, P&G files over 22,000 different tax returns each year. These tax returns report our tax liabilities and payments for corporate income tax, transactional taxes, employment taxes, and other types of taxes. Our most significant tax return is our federal income tax return in the United States, which alone exceeds over 14,000 pages.

Each material tax return position or legal interpretation is extensively analyzed, reviewed and documented by the tax organization. In line with our Worldwide Business Conduct Manual, throughout our compliance and reporting process, we observe and adhere to the tax law, the underlying tax policy intent, and the financial disclosure and reporting requirements in each jurisdiction.

Similar to all multinational companies, our tax returns are continuously under audit by tax authorities around the world. We engage with these authorities to respond timely and thoroughly to tax audit requests. Our working relationships with governments and fiscal authorities are conducted in a professional, constructive and collaborative manner with full transparency of the facts of our business operations.

Our consolidated financial statements are audited by a registered independent public accounting firm, who expresses an opinion on whether such financial statements are reasonably assured to be free of material misstatement. Such financial statements and opinion are included in our Form 10-K filed with the Securities and Exchange Commission annually.



Worldwide Business Conduct Manual

Our Worldwide Business Conduct Manual articulates the global standards we expect from our daily business activities, and our legal and ethical responsibilities. We operate within the letter and spirit of the law because doing the right thing, every time, gives consumers, customers, shareholders, external business partners, government and community leaders, and other stakeholders a reason to trust us, to believe we achieve our results in the right way and that we do not tolerate illegal or unethical dealings anywhere in the world. In addition to regular training, employees are required to report any potential violations of law or Company standards set forth in the Worldwide Business Conduct Manual and other policies.

Tax follows business substance



Tax Follows Business Substance



Tax Follows Business Substance

As a global company, P&G's investment choices are made based on long-term business needs and objectives.

P&G is a global company with operations physically located in approximately 70 countries. These 70 countries account for approximately 98% of our total global sales. Our businesses decide, based upon business needs and financial objectives, when to establish operations in a country.

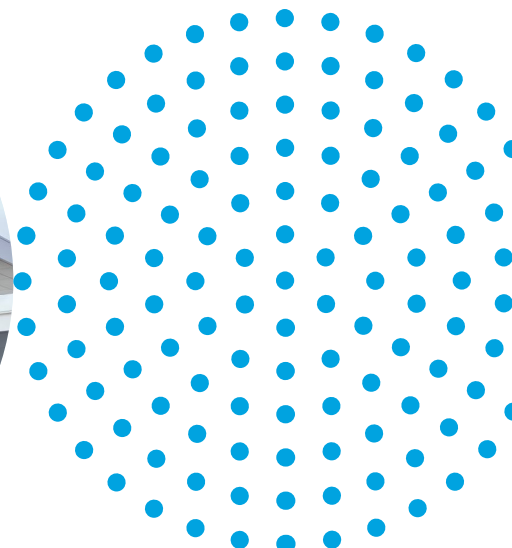
Our products—such as diapers and laundry detergent—may be bulky or heavy, so shipping them long distances does not make economic sense. As a result, we manufacture close to the consumers we serve around the world.

Our entities have real operating substance. When we are present in a jurisdiction, we are there for commercial reasons, including sales organizations dedicated to the customer base, manufacturing facilities that produce P&G products, scaled regional headquarters focused on brand building in the region and service centers that provide back-office support to P&G's global and regional operations.

P&G does not pursue tax incentives for short-term financial benefits.

Governments determine the rate of corporate income tax and sometimes set low rates or enact tax incentives to attract investment. Most governments and international organizations, such as the Organization for Economic Cooperation and Development (OECD), respect the sovereignty of tax matters so long as the tax systems are based on accepted principles of substantive business activity and transparency.

Where tax incentives are made available by governments, we apply them in line with the relevant statutory, regulatory, or administrative framework, and do not pursue them to secure a short-term financial advantage.



Tax Follows Business Substance

Where P&G operates in low-tax jurisdictions, we have business substance and commercial purpose.

Multiple definitions exist for low-tax jurisdictions or so-called “tax havens”. The OECD defines a tax haven as a country imposing no or only nominal taxes; having a lack of effective exchange of information; and having a lack of transparency in the operation of the legislative, legal or administrative provisions.

Over the past decade, we have proactively reviewed our legal entity structure and eliminated legal entities in low-tax jurisdictions, whether historical or gained through acquisitions, that do not serve an ongoing operating or commercial purposes. We have a rigorous internal process that requires review and approval from a multi-functional team, including Finance, Legal, Accounting, Tax, and business leadership to ensure new legal entities are created for legitimate business purposes consistent with our Core Tax Principles.

Where operations remain in these jurisdictions we have business substance, commercial purpose and have been established in line with P&G’s criteria for location selection.

An overview of P&G’s operations by country is included in the [Appendix](#).



P&G’s Criteria for Location Selection

We are a global company, with operations in approximately 70 countries and products sold in more than 180 countries and territories around the world. Our businesses decide when to establish operations in a country based upon the following criteria:

- Proximity to large consumer markets
- Legal, political, economic and regulatory stability
- Ability to attract and retain diverse talent
- Market economic attractiveness, including “all-in” cost structure
- Quality of infrastructure

Further information on P&G’s legal entities is available in P&G’s 10-K, Exhibit 21 - Subsidiaries of the Registrant.

Tax Follows Business Substance

P&G's intercompany transactions are based on international transfer pricing principles.

Corporate income tax is typically imposed by countries on the basis of where profits are earned, which corresponds to the location of where business activities take place. Multinational companies such as Procter & Gamble consist of separate legal entities with specific operating functions. Each legal entity is subject to tax in the countries in which it has physical operations based upon the enacted rules of the country.

The OECD Guidelines and the policies of the U.S. and most countries establish the principle that transactions between affiliated legal entities in a multinational company must be priced based on the “arm’s length” standard—the same as if the transactions, and resulting financial consequences, were between two independent companies.

P&G's transfer pricing is consistently applied and subject to regular review by governments.

Following the arm’s length standard, our intercompany prices for transactions between P&G legal entities are established based on the role of each legal entity within P&G’s business model and the identified functions, assets and risks. As a result, legal entities earn taxable profits or losses in line with their role within P&G’s business model. Our transfer pricing policies and methodologies are applied consistently and are supported by appropriate economic analysis of similar transactions between unrelated parties. We transparently share this analysis with appropriate governmental authorities. We also follow the World Trade Organization, OECD, European Union and other applicable guidelines regarding indirect taxes such as consumption taxes (GST and VAT) and customs duties.



What is Transfer Pricing?

Transfer pricing is the general term for the pricing of cross-border, intra-firm transactions between related parties. Transfer pricing... refers to the setting of prices for transactions between associated enterprises involving the transfer of property or services.

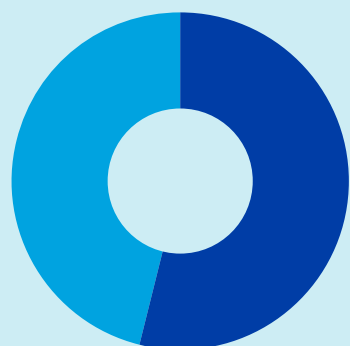
Tax follows business substance

OUR APPROACH

Location of P&G's Intellectual Property

Nearly all of P&G's intellectual property is funded, managed and owned in the United States.

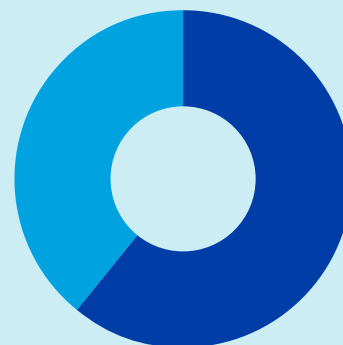
P&G has more than 180 years of history in the U.S., and nearly all of our intellectual property (IP)—such as trademarks, product and process technology, and patents—is funded, managed and legally owned in the U.S. In line with our business model, this IP is licensed to our foreign operations in exchange for royalty payments which are taxed at the applicable U.S. rate. These intercompany licensing agreements have been approved as being “arm’s length” by the U.S. government via the conclusion of multiple Advance Pricing Agreements (APAs). As a result of P&G’s business operations in the U.S., as well as the royalty income generated from U.S. ownership of IP, more than 60% of P&G’s global profits are taxed in the U.S., while P&G’s U.S. sales represent a little more than 40% of worldwide sales.



NET SALES

United States	46%
International	54%

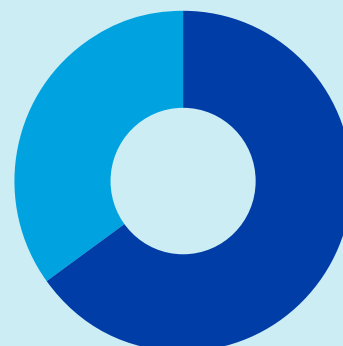
Data based upon fiscal year ended June 30, 2022 financial data.



INCOME TAX EXPENSE

United States	61%
International	39%

Please see P&G's 2022 10-K, Footnote 5 for more information.



EARNINGS BEFORE INCOME TAXES

United States	65%
International	35%

Please see P&G's 2022 10-K, Footnote 5 for more information.

Tax follows business substance

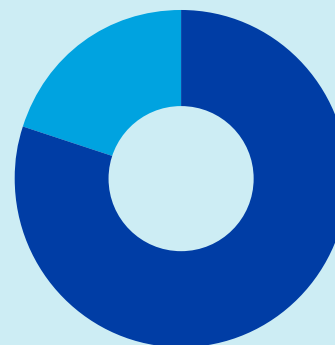
OUR APPROACH

Operations in P&G's Headquarters Locations

80% of P&G's senior management, including all Business Unit senior management, is located in HQ locations.

Around the world, P&G's headquarter locations are in the United States, Switzerland, Singapore, Panama, China and United Arab Emirates. The senior leadership teams within each of our Business Units are located exclusively within these six headquarter locations. The Business Units perform strategic business functions as well as day-to-day business management activities in areas such as brand building, marketing, management of product supply chains and determination of product pricing. Business Unit teams provide direction to Market Operations and manufacturing operations throughout the world.

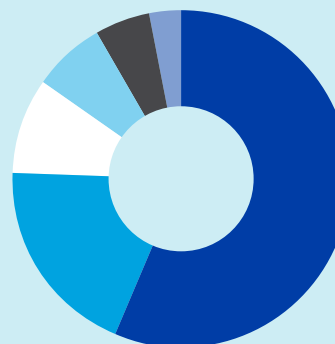
We have significant Business Unit teams in each of the six headquarter locations. In the U.S., our largest market, we have approximately 6,000 managerial positions. In China, our second largest market, we have approximately 2,000 managerial positions. Collectively, our headquarters locations in Switzerland, Singapore, United Arab Emirates, and Panama have approximately 4,500 managerial positions, including senior global Business Unit leaders, and are responsible for our Business Units in Europe, Latin America, and AMA (Asia, Middle East, and Africa).



LOCATION OF P&G SENIOR LEADERSHIP

● Located in HQ Locations	80%
● Located in non-HQ Locations	20%

Senior Leadership includes all Vice President and above employees.



DISTRIBUTION OF SENIOR LEADERSHIP IN HQ LOCATIONS

● United States	58%
● Switzerland	19%
● Singapore	8%
● China	7%
● Panama	5%
● United Arab Emirates	3%

Senior Leadership includes all Vice President and above employees.

Tax follows business substance

OUR APPROACH

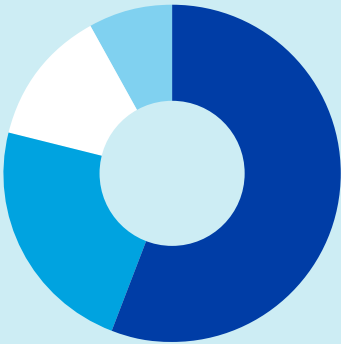
Operations Outside of P&G’s Headquarters Locations

Outside of our HQ locations, our operations are primarily focused on the manufacture and sale of P&G products, as well as providing support services.

P&G plants manufacture finished products in line with directions established by Business Units located in our regional headquarter locations. Due to the nature of our business, proximity to our customers and consumers is very relevant for us to ensure an efficient manufacturing process, shorter delivery time and lower logistics costs. About 51,000 employees in nearly 40 countries are responsible for the manufacturing of P&G products.

Market Operations teams are responsible for selling P&G products to the retail trade channels, managing the distribution of P&G products to customer warehouses, and executing marketing plans developed by the regional headquarters. About 21,000 employees in around 70 countries worldwide ensure that P&G products are sold to our retail customers and are made available to consumers in each country.

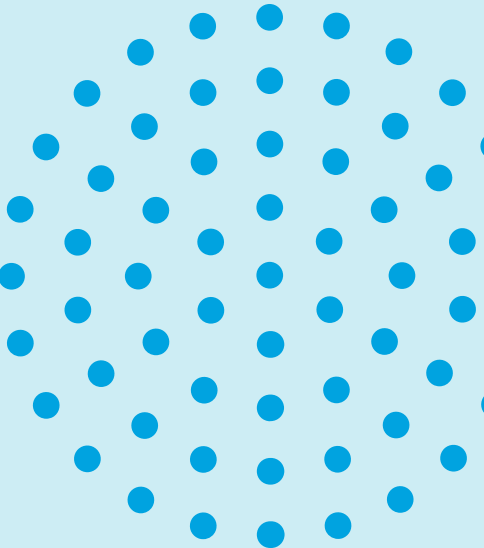
About 20,000 employees provide Research & Development and scaled global and regional support services. These services include R&D activities performed by staff in our technical centers located around the world. In addition to its largest centers in the U.S., P&G also has major R&D technical centers in Belgium, Germany, United Kingdom, China, Japan and Singapore. Shared service centers provide accounting, information technology, and other global and regional support services. P&G has key shared service centers in the United States, United Kingdom, Costa Rica and Philippines.



FUNCTIONS OF EMPLOYEES IN NON-HQ LOCATIONS

● Manufacturing	56%
● Market Operations	23%
● Research & Development	13%
● Support Functions	8%

An overview of P&G’s operations by country is included in the [Appendix](#).





Transparency in Relationships with Governments and Tax Administrations



Transparency with Governments and Tax Administrations

We build constructive and sustainable working relationships with governments and fiscal authorities.

We have a shared interest with governments to ensure predictable, efficient and rule-based tax administration. Where possible, we proactively seek certainty from tax authorities based upon full disclosure of all relevant facts and circumstances, including entering into bilateral Advance Pricing Agreements (APAs) where available. A bilateral APA is an agreement between two governments with respect to an intercompany transaction that specifies the transfer pricing method and allocation of profits between two countries.

In all our interactions with government officials, P&G complies with all international, U.S. federal and state laws, including the Lobbying Disclosure Act and Honest Leadership and Open Government Act that require reporting on lobbying activities and certification of compliance with Congressional gift rules.

P&G's approach to cooperation and transparency is beneficial to our stakeholders and investors, as well as to the governments in countries in which we do business.

Transparency initiatives, such as APAs and the OECD International Compliance Assurance Program (ICAP), promote several advantages to governments, including access to business information and strategies on a real-time basis, as well as efficient staffing of audit resources. Such programs allow governments to efficiently audit and review more taxpayers which likely improves income tax revenue collection.

Similar to governments, low-risk designations allow P&G to focus the resources of our tax organization on material transactions and ensuring effective and efficient ongoing tax compliance. In addition, designation as a low-risk taxpayer has a direct consequence on our income statement. Pursuant to Generally Accepted Accounting Principles (GAAP), companies typically are required to establish relevant tax reserves to cover instances where tax positions are uncertain, subject to audit or under dispute. Due to our ongoing efforts to engage in broader transparency with tax administrations, our tax reserves have declined significantly over the last decade.

OUR APPROACH

P&G's Advance Pricing Agreement (APA) Portfolio and Commitment to Transparency

P&G's network of APAs is a result of our sustained commitment to transparency.

P&G currently has a comprehensive network of bilateral APAs covering approximately 20 countries. Our APA portfolio covers all significant types of transactions—IP licensing, distribution of finished products, manufacturing activities, and intra-group services. We estimate our portfolio of APAs results in income tax certainty for P&G and the respective tax administrations covering the transfer pricing and related taxation of over 70% of our global earnings.

Consistent with OECD guidelines, P&G works transparently with the relevant tax authorities, negotiating each APA to establish the most appropriate transfer pricing methodology based on the relevant facts and circumstances. The agreed arm's length outcome and transfer pricing methodology must be supported through extensive data and supporting documents related to our business model operation in each jurisdiction.



Role of APAs in Increasing Tax Transparency

The OECD Project to Avoid Base Erosion and Profit Shifting (BEPS) brought together over 135 countries and jurisdictions to collaborate on the implementation of the BEPS Package, which provides 15 Actions that equip governments with the domestic and international instruments needed to tackle tax avoidance.

In the final report on “Making Dispute Resolutions Mechanisms More Effective” (Action 14), the OECD explicitly advocated as a best practice that countries should implement bilateral APA programs as soon as they have the capacity to do so. In justifying APAs as a best practice, the OECD argued that a successful APA concluded between two governments helps to provide increased transparency in both jurisdictions, reducing the likelihood of significant transfer pricing disputes that take up taxpayer resources and require increased tax administration sophistication.

Case Study:

P&G's Participation in ICAP

In 2018, P&G was selected by the U.S. Internal Revenue Service as the sole U.S. multinational corporation to participate in the first International Compliance Assurance Program (ICAP) pilot.

During the ICAP review, P&G provided extensive documentation to all the participating tax administrations. This documentation included detailed description of our business model and organizational structure as well as tax return filings and perspective on data included in our Country-by-Country report. Our ICAP review culminated in a two day face-to-face meeting hosted by P&G with multiple representatives from each participating tax administration.

At the conclusion of the ICAP review process, the participating countries designated P&G to be a low-risk taxpayer. P&G also has similar low-risk designations in several additional major countries in which we do business.

Voluntary compliance programs such as ICAP are resource- and time-intensive, involving management interviews, extensive documentation, and detailed presentations. P&G is committed to these compliance processes to help increase tax certainty, efficiency and transparency with governments.



The OECD International Compliance Assurance Program (ICAP)

ICAP is a voluntary risk assessment and assurance program to facilitate open and cooperative multilateral engagements between a multinational company willing to engage actively and transparently and tax administrations in jurisdictions where they have activities.

It supports the effective use of transfer pricing documentation, including the multinational company's Country-by-Country report, providing a faster, clearer and more efficient route to improved multilateral tax certainty.

ICAP was first launched in 2018 with a pilot including eight tax administrations. As of 2021, 22 tax administrations from all over the world participate in [ICAP](#).



Robust Tax Stewardship and Governance



Robust Tax Stewardship and Governance

Global tax leadership is responsible for P&G's tax strategies, stewardship and governance.

Our global tax organization is held directly responsible by the Board of Directors, Chief Financial Officer and senior management for all matters related to tax governance and tax risk management. Global tax leadership regularly reviews our tax strategy and related governance processes, including an annual review with the Audit Committee of the Board of Directors.



The global tax organization is centrally managed and ensures a consistent global application of P&G's approach to tax and Core Tax Principles across all areas of taxation, including corporate income tax, indirect tax and employment tax. Global tax leadership is responsible for proactively identifying and managing a wide range of potential risks, including compliance, operational and reputational risks.

More than 200 tax professionals with diverse backgrounds located around the world are responsible for staying abreast of applicable tax laws and ensuring that we adhere to these laws in every country in which we have a presence. Our tax organization maintains regular communication with other Finance and Accounting teams that are involved in tax governance, compliance and reporting processes. Within our day-to-day operations, P&G's regional and local comptroller organizations, Global Business Services and country finance managers, who act as legal entity stewards, also participate in tax stewardship and governance processes based upon the direction and oversight provided by the global tax organization.

Our tax organization provides online and classroom-based training programs for P&G employees in tax, finance and other disciplines. These programs create overall awareness of our Core Tax Principles, as well as the importance of tax stewardship, governance and compliance throughout P&G. We also retain experts around the world to assist in our compliance and interpretation of tax laws in the countries in which we operate.

OUR APPROACH

P&G's Tax Control Framework

P&G's Tax Control Framework enables robust tax stewardship and governance and is built based upon international best practices.

P&G's Tax Control Framework enables our tax organization and our broader Finance and Accounting organization to prevent, identify, quantify and manage a wide range of potential risks, including compliance, operational and reputational risks, as well as any resulting financial implications.

The elements of P&G's Tax Control Framework comply with the OECD's guidance on Tax Control Framework building blocks, as well as the internal control requirements established under the internationally recognized Committee of Sponsoring Organizations (COSO) Framework.

Day-to-day tax risk management is based upon a robust three-layer approach.

Operational Management processes and oversees tax-relevant transactions on a daily basis. Our country and regional tax organizations are responsible for identification of potential risks in our daily business operations and transactions as well as identification of tax legislation or regulation changes that may impact P&G. They are supported by our comptroller organization and Global Business Services organization.

Subject Matter Experts in the area of Tax Policy, Indirect Tax, Transfer Pricing and Tax Operations provide guidance to the Operational Management. Subject Matter Experts are responsible for the design and implementation of the appropriate documented policies and processes, as well as the necessary tools to enable the prevention, identification and management of potential

risks. Subject Matter Experts provide oversight on the application of our Core Tax Principles across all areas of business operations and tax compliance requirements.

Independent Review provides risk-based assurance on the operation of our Tax Control Framework to our Operational Management and Subject Matter Experts. In P&G, our Global Internal Audit (GIA) organization provides Independent Review of our tax related processes and controls GIA reports directly to the Audit Committee of the Board of Directors and conducts several audits of our tax operations each year.

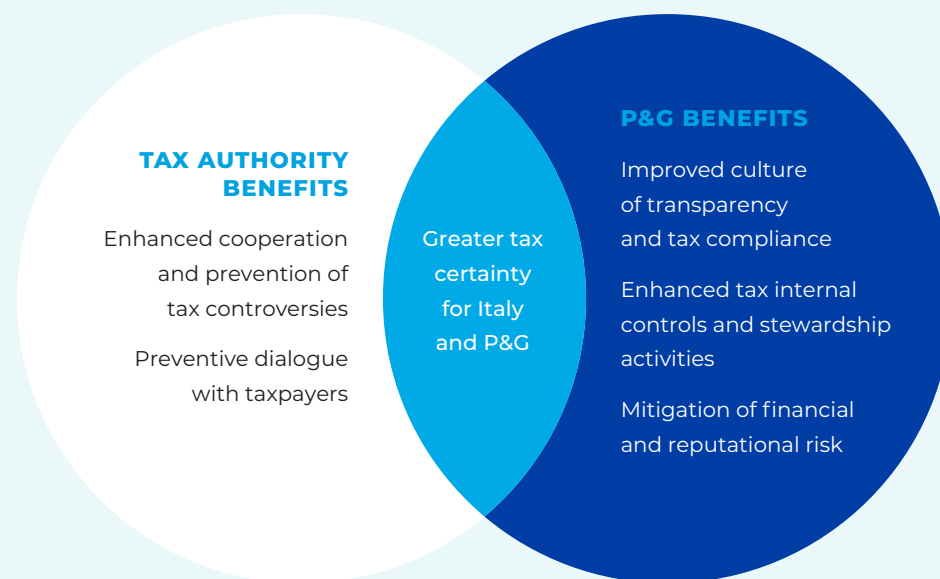


Case Study: Cooperative Compliance Program in Italy

In 2015, the Italian Tax Administration officially enacted a cooperative compliance program for companies with the goal of increasing tax certainty and preventing tax litigation.

The Italian program is available to resident and non-resident taxpayers with operations in Italy that meet certain revenue levels and are determined to have a tax control framework capable of detecting, measuring and managing tax risks. The program is very selective; the Italian Tax Administration has admitted only about 30 multinational companies.

P&G applied to participate in the program and was admitted after an extensive review of our tax control framework by the Italian Tax Administration. Our participation in Italy's Cooperative Compliance Program provides P&G with enhanced collaboration with Italian government and enables proactive tax certainty. As a result, P&G's exposure to potential financial and reputational risks in Italy has been reduced, resulting in increased tax certainty for both Italy and P&G.



Requirements to Enter Italian Program

- Approved tax strategy
- Robust tax control framework
- Internal policy on risk management
- Structured tax control framework monitoring process
- Tax compliance model
- Detailed tax risk mapping



Support for Efficient, Consistent, and Administrable Tax and Trade Policies



Support for Efficient, Consistent and Administrable Tax and Trade Policies

We seek to create dialogue with tax policymakers on matters of local and international importance.

In the same way that we have a shared interest in promoting efficient and predictable tax administration with governments, there are also shared benefits in offering support to authorities in crafting clear, consistent and administrable tax policies. We offer this support both directly to governments and indirectly through relevant trade associations. We support initiatives that result in economic growth, reduce trade barriers and expand the tax administration capabilities of the governments, especially in developing countries.

In certain instances, P&G is proactively engaged in tax policy discussions by key external stakeholders such as governments, business associations and the OECD. These organizations seek out P&G's perspective because we have a proven track record of adopting a constructive, balanced, transparent and principled approach to tax policy matters.

We support the ongoing efforts to lead a global consensus to create a more stable and sustainable global tax system.

Specifically, we support the work of the OECD and the Inclusive Framework to design tax policies that are uniformly adopted, in line with the arm's length standard, and that prevent the artificial separation of taxable profits from the location of commercial and economic functions. We also support their continuing efforts to promote rules that help reduce tax disputes between countries and to eliminate the risk for double taxation of profits earned from the same business activity.

Development of consistent and sustainable tax policy is a shared responsibility.

P&G believes that the business community must play an active role helping policymakers to understand the impact of tax policy choices on investment and the economy. We believe that principled taxation leads to economic stability and prosperity for countries, people and businesses.

Case Study: Tax Challenges Arising from the Digitalization of the Economy

As part of the continuation of their work from the Base Erosion and Profit Shifting (BEPS) Project, the OECD has engaged in work to create consensus-based international tax rules designed to address the challenges arising from the digitalization of the economy.

This work included an initial report in 2018 and publication of a blueprint document outlining details of the project in 2020. Consultations on the technical implementation are ongoing in 2022. At various stages throughout this process, the OECD has actively sought comments from relevant business community stakeholders through a public consultation process.

Consistent with our Core Tax Principles, P&G submitted multiple comment letters throughout this process offering our views on how the OECD and Inclusive Framework could fine-tune the proposals to better achieve the goals of all stakeholders. As a follow-up to these written submissions, the OECD asked P&G to present on our recommendations alongside representatives from other businesses and non-profit organizations during the formal public consultations.

In addition to the specific comments that we submitted as a company, P&G continues to participate in the drafting of comments shared by a number of key trade associations.



Excerpts from P&G Public Comments to OECD Digital Tax Project

“If a consensus solution [to these proposals] can be reached, we expect P&G’s tax liability will increase. However, we are willing to pay a modest amount of incremental income tax in exchange for an easier to administer, economically rational, and stable tax system...”

“We believe that the maintenance of consensus-based tax policies that provide predictability, mitigate the risk of double taxation, and allocate global taxing rights in a manner that is consistent with business substance and value creation are a shared responsibility between the public and private sectors.”

“To achieve consensus under this project, the OECD and Inclusive Framework should design a solution that satisfies two fundamental issues: (1) recognition of the broad digitalization of the economy that has (or will) impact most, if not all organizations, and (2) adoption of methods to enable the appropriate, economically rational, and sustainable attribution of profits to market jurisdictions.”

Appendix



P&G's Main Business Activities by Country

	GLOBAL/REGIONAL HEADQUARTERS	OWNERSHIP OF INTELLECTUAL PROPERTY	RESEARCH & DEVELOPMENT TECHNICAL CENTER	MANUFACTURING	MARKET OPERATIONS	ADMINISTRATIVE AND SUPPORT SERVICES
	Responsible for the success of P&G brands	Direct, fund and legally own IP	Perform R&D activities under direction of IP owner	Convert raw materials into finished products	Sell and deliver finished products	Provide scaled finance, accounting, human resources and other services
Algeria						X
Argentina				X	X	
Australia					X	
Austria				X	X	
Azerbaijan					X	
Bangladesh					X	
Belgium			X	X	X	X
Brazil			X	X	X	
Bulgaria					X	
Canada				X	X	
Chile				X	X	
China	X		X	X	X	
Colombia				X	X	
Costa Rica					X	X
Croatia					X	
Czech Republic				X	X	
Denmark					X	
Ecuador					X	
Egypt				X	X	X

Overview of P&G Operations by Country

	GLOBAL/REGIONAL HEADQUARTERS	OWNERSHIP OF INTELLECTUAL PROPERTY	RESEARCH & DEVELOPMENT TECHNICAL CENTER	MANUFACTURING	MARKET OPERATIONS	ADMINISTRATIVE AND SUPPORT SERVICES
	Responsible for the success of P&G brands	Direct, fund and legally own IP	Perform R&D activities under direction of IP owner	Convert raw materials into finished products	Sell and deliver finished products	Provide scaled finance, accounting, human resources and other services
Finland					X	
France				X	X	
Germany		X	X	X	X	
Ghana						X
Greece					X	
Guatemala					X	
Honduras						X
Hong Kong				X	X	
Hungary				X	X	
India			X	X	X	
Indonesia				X	X	
Ireland					X	
Israel						X
Italy				X	X	
Japan			X	X	X	
Kazakhstan					X	
Kenya						X
Latvia						X
Luxembourg						X
Malaysia					X	
Mexico				X	X	
Morocco				X	X	
Netherlands					X	

Overview of P&G Operations by Country

	GLOBAL/REGIONAL HEADQUARTERS	OWNERSHIP OF INTELLECTUAL PROPERTY	RESEARCH & DEVELOPMENT TECHNICAL CENTER	MANUFACTURING	MARKET OPERATIONS	ADMINISTRATIVE AND SUPPORT SERVICES
	Responsible for the success of P&G brands	Direct, fund and legally own IP	Perform R&D activities under direction of IP owner	Convert raw materials into finished products	Sell and deliver finished products	Provide scaled finance, accounting, human resources and other services
New Zealand						X
Nigeria				X	X	
Norway					X	
Pakistan				X	X	
Panama	X				X	
Peru				X	X	
Philippines				X	X	X
Poland				X	X	X
Portugal					X	
Puerto Rico					X	
Romania				X	X	X
Russia				X	X	
Saudi Arabia				X	X	
Serbia					X	
Singapore	X		X	X	X	
Slovakia					X	
South Africa				X	X	
South Korea					X	
Spain				X	X	
Sweden					X	
Switzerland	X				X	
Taiwan					X	
Thailand				X	X	

Overview of P&G Operations by Country

	GLOBAL/REGIONAL HEADQUARTERS	OWNERSHIP OF INTELLECTUAL PROPERTY	RESEARCH & DEVELOPMENT TECHNICAL CENTER	MANUFACTURING	MARKET OPERATIONS	ADMINISTRATIVE AND SUPPORT SERVICES
	Responsible for the success of P&G brands	Direct, fund and legally own IP	Perform R&D activities under direction of IP owner	Convert raw materials into finished products	Sell and deliver finished products	Provide scaled finance, accounting, human resources and other services
Turkey				X	X	
Ukraine				X	X	
United Arab Emirates	X				X	
United Kingdom			X	X	X	X
United States	X	X	X	X	X	X
Venezuela				X	X	
Vietnam				X	X	

Business Activities as of November 2022

Further information on P&G'S legal entities is available in
P&G's Form 10-K, Exhibit 21 - Subsidiaries of the Registrant.

Glossary of Key Terms

Advance Pricing Agreements (APAs): An APA is an agreement between governments with respect to a specific taxpayer, specifying the pricing method to apply to intercompany transactions and how those transactions should be taxed. APAs are considered a best practice by the OECD.

Inclusive Framework: The Inclusive Framework is the technical and political authority for handling the OECD's Base Erosion and Profit Shifting (BEPS) project recommendations and the continuation of related work. It includes almost 140 states and territories working to create a more stable and sustainable global tax system.

Intellectual Property (IP): Generally, a company's trademarks, product and process technology and patents. Most of P&G's IP is located in the U.S., resulting in more profit being taxed in the U.S. than would otherwise be expected given the U.S. portion of global sales.

Intercompany transactions: An intercompany transaction is one between two related entities within a multinational corporation.

Organization for Economic Cooperation and Development (OECD): The OECD is a multilateral organization founded in 1961. It provides a forum for representatives of countries to discuss and attempt to coordinate economic and social policies and has a significant role in international tax matters. www.oecd.org

Taxable Jurisdiction: The federal, state, local or foreign government that collects tax.

Transfer Pricing: Transfer pricing is the general term for the pricing of cross-border transactions between related parties. Transfer pricing refers to the setting of prices for transactions between associated enterprises involving the transfer of property or services.

TAX EXPENSE

Current income tax expense: Includes all income taxes payable for the current year based upon taxable profits in each country in which a company operates.

Deferred income tax expense: Results from the difference in the timing of the recognition of income or expense in a company's financial statements compared to when that same income or expense is recognized under applicable tax laws of the countries in which that company operates.

Income taxes paid: Includes all cash payments made to tax jurisdictions during the fiscal year.

KINDS OF TAXES

Taxes borne: Taxes that represent a cost to a company and are reflected on the income statement. Examples of taxes borne include corporate income taxes, property taxes, non-creditable VAT and other sales taxes, and employer-paid payroll taxes.

Taxes collected: Taxes generated by a company's operations but are not a liability of the company. Rather, companies are responsible for collecting the taxes on behalf of revenue authorities and remitting the taxes to the government. Examples of taxes collected include net VAT and employee income taxes withheld.

Total Tax Contribution: The total of taxes borne and taxes collected.

Glossary of Key Terms

TAXES BORNE

Corporate Income Taxes: Tax levied by a tax jurisdiction on business profits.

Property Taxes: Tax levied by the tax jurisdiction in which the property is located, on the value of that property.

Excise Taxes: Any duty on manufactured goods that is levied at the moment of manufacture rather than at sale.

Customs Duties: The taxes levied by a tax jurisdiction on imported goods.

TAXES COLLECTED

Value Added Taxes (VAT): A consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale.

Employment Taxes: Include withholding from employees' paychecks to cover income taxes—federal and where applicable state and local—as well as the employees' share of social taxes (social security in the U.S., medical, etc.).

Sales Taxes: A tax paid to a governing body for the sales of certain goods and services.



P&G Resources

[!\[\]\(eafc244b53721dd1ec133f0772f70fc7_img.jpg\) Annual Report](#)

[!\[\]\(d3fb9f94af8b26d1c844efa9a98805b0_img.jpg\) Citizenship Report](#)

[!\[\]\(950a62bbddad88d64435fd35607dfc42_img.jpg\) ESG for Investors Website](#)

[!\[\]\(5a132f13505a6571904d622757b7a8f0_img.jpg\) Our Approach to Tax](#)

[!\[\]\(10f8862fc183b400327470ea85afe9ae_img.jpg\) Worldwide Business Conduct Manual](#)

VARIOUS STATEMENTS IN THIS DOCUMENT, 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 P&G’s 2022 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.

