Section 1: 10-Q (FY 1920 Q3 JFM 10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020

OR

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

For the transition period from _________ to _________

THE PROCTER & GAMBLE COMPANY

(Exact name of registrant as specified in its charter)

Ohio	**1-434**	**31-0411980**
(State of Incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification Number)*

One Procter & Gamble Plaza, Cincinnati, Ohio	**45202**
(Address of principal executive offices)	*(Zip Code)*

(513) 983-1100
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, without Par Value	PG	NYSE
4.125% EUR notes due December 2020	PG20A	NYSE
0.275% Notes due 2020	PG20	NYSE
2.000% Notes due 2021	PG21	NYSE
2.000% Notes due 2022	PG22B	NYSE
1.125% Notes due 2023	PG23A	NYSE
0.500% Notes due 2024	PG24A	NYSE
0.625% Notes due 2024	PG24B	NYSE
1.375% Notes due 2025	PG25	NYSE
4.875% EUR notes due May 2027	PG27A	NYSE
1.200% Notes due 2028	PG28	NYSE
1.250% Notes due 2029	PG29B	NYSE
1.800% Notes due 2029	PG29A	NYSE
6.250% GBP notes due January 2030	PG30	NYSE
5.250% GBP notes due January 2033	PG33	NYSE
1.875% Notes due 2038	PG38	NYSE

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

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

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

Large accelerated filer	☑	Accelerated filer	☐

Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

There were 2,475,642,613 shares of Common Stock outstanding as of March 31, 2020.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

Amounts in millions except per share amounts	Three Months Ended March 31		Nine Months Ended March 31	
	2020	2019	2020	2019
NET SALES	**$ 17,214**	$ 16,462	**$ 53,252**	$ 50,590
Cost of products sold	**8,716**	8,427	**26,308**	25,830
Selling, general and administrative expense	**5,045**	4,806	**14,719**	14,081
OPERATING INCOME	**3,453**	3,229	**12,225**	10,679
Interest expense	**(100)**	(131)	**(308)**	(398)
Interest income	**39**	52	**133**	168
Other non-operating income, net	**106**	128	**323**	685
EARNINGS BEFORE INCOME TAXES	**3,498**	3,278	**12,373**	11,134
Income taxes	**541**	502	**2,056**	1,931
NET EARNINGS	**2,957**	2,776	**10,317**	9,203
Less: Net earnings attributable to noncontrolling interests	**40**	31	**90**	65
NET EARNINGS ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 2,917**	$ 2,745	**$ 10,227**	$ 9,138
NET EARNINGS PER SHARE [(1)]				
Basic	**$ 1.15**	$ 1.07	**$ 4.03**	$ 3.58
Diluted	**$ 1.12**	$ 1.04	**$ 3.89**	$ 3.48
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**2,613.3**	2,637.7	**2,630.3**	2,624.3

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

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

Amounts in millions	Three Months Ended March 31 2020	Three Months Ended March 31 2019	Nine Months Ended March 31 2020	Nine Months Ended March 31 2019
NET EARNINGS	**$ 2,957**	$ 2,776	**$ 10,317**	$ 9,203
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX				
Foreign currency translation	**(1,164)**	73	**(1,312)**	(314)
Unrealized gains/(losses) on investment securities	**(6)**	54	**(12)**	107
Unrealized gains on defined benefit retirement plans	**185**	64	**327**	314
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**(985)**	191	**(997)**	107
TOTAL COMPREHENSIVE INCOME	**1,972**	2,967	**9,320**	9,310
Less: Total comprehensive income attributable to noncontrolling interests	**29**	34	**73**	65
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROCTER & GAMBLE	**$ 1,943**	$ 2,933	**$ 9,247**	$ 9,245

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Amounts in millions			March 31, 2020	June 30, 2019
Assets				
CURRENT ASSETS				
Cash and cash equivalents			$ **15,393**	$ 4,239
Available-for-sale investment securities			—	6,048
Accounts receivable			**4,640**	4,951
INVENTORIES				
Materials and supplies			**1,325**	1,289
Work in process			**635**	612
Finished goods			**3,370**	3,116
Total inventories			**5,330**	5,017
Prepaid expenses and other current assets			**1,777**	2,218
TOTAL CURRENT ASSETS			**27,140**	22,473
PROPERTY, PLANT AND EQUIPMENT, NET			**20,459**	21,271
GOODWILL			**39,617**	40,273
TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET			**23,834**	24,215
OTHER NONCURRENT ASSETS			**7,510**	6,863
TOTAL ASSETS			$ **118,560**	$ 115,095
Liabilities and Shareholders' Equity				
CURRENT LIABILITIES				
Accounts payable			$ **10,464**	$ 11,260
Accrued and other liabilities			**9,731**	9,054
Debt due within one year			**12,701**	9,697
TOTAL CURRENT LIABILITIES			**32,896**	30,011
LONG-TERM DEBT			**23,310**	20,395
DEFERRED INCOME TAXES			**6,309**	6,899
OTHER NONCURRENT LIABILITIES			**10,104**	10,211
TOTAL LIABILITIES			**72,619**	67,516
SHAREHOLDERS' EQUITY				
Preferred stock			**900**	928
Common stock – shares issued –	March 2020	4,009.2		
	June 2019	4,009.2	**4,009**	4,009
Additional paid-in capital			**63,976**	63,827
Reserve for ESOP debt retirement			**(1,080)**	(1,146)
Accumulated other comprehensive income/(loss)			**(15,916)**	(14,936)
Treasury stock			**(105,823)**	(100,406)
Retained earnings			**99,474**	94,918
Noncontrolling interest			**401**	385
TOTAL SHAREHOLDERS' EQUITY			**45,941**	47,579
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			$ **118,560**	$ 115,095

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Three Months Ended March 31, 2020									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE DECEMBER 31, 2019	2,469,453	$4,009	$911	$64,019	($1,112)	($14,942)	($105,761)	$98,414	$370	$45,908
Net earnings								2,917	40	2,957
Other comprehensive income/ (loss)						(974)			(11)	(985)
Dividends and dividend equivalents ($0.7459 per share):										
Common								(1,850)		(1,850)
Preferred, net of tax benefits								(64)		(64)
Treasury stock purchases	(7,313)						(901)			(901)
Employee stock plans	12,234			(44)			829			785
Preferred stock conversions	1,269		(11)	1			10			—
ESOP debt impacts					32			57		89
Noncontrolling interest, net				—					2	2
BALANCE MARCH 31, 2020	2,475,643	$4,009	$900	$63,976	($1,080)	($15,916)	($105,823)	$99,474	$401	$45,941

	Nine Months Ended March 31, 2020									
	Common Stock									
Dollars in millions; shares in thousands	Shares	Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
BALANCE JUNE 30, 2019	2,504,751	$4,009	$928	$63,827	($1,146)	($14,936)	($100,406)	$94,918	$385	$47,579
Net earnings								10,227	90	10,317
Other comprehensive income/ (loss)						(980)			(17)	(997)
Dividends and dividend equivalents ($2.2377 per share)										
Common								(5,587)		(5,587)
Preferred, net of tax benefits								(193)		(193)
Treasury stock purchases	(61,346)						(7,405)			(7,405)
Employee stock plans	28,965			145			1,964			2,109
Preferred stock conversions	3,273		(28)	4			24			—
ESOP debt impacts					66			109		175
Noncontrolling interest, net				—					(57)	(57)
BALANCE MARCH 31, 2020	2,475,643	$4,009	$900	$63,976	($1,080)	($15,916)	($105,823)	$99,474	$401	$45,941

See accompanying Notes to Consolidated Financial Statements.

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
	Three Months Ended March 31, 2019									
BALANCE DECEMBER 31, 2018	2,501,580	$4,009	$946	$63,679	($1,178)	($15,156)	($99,480)	$101,170	$453	$54,443
Net earnings								2,745	31	2,776
Other comprehensive income/(loss)						188			3	191
Dividends and dividend equivalents ($0.7172 per share):										
Common								(1,799)		(1,799)
Preferred, net of tax benefits								(64)		(64)
Treasury stock purchases	(12,945)						(1,250)			(1,250)
Employee stock plans	18,197			(57)			1,235			1,178
Preferred stock conversions	1,498		(13)	2			11			—
ESOP debt impacts					33			51		84
Noncontrolling interest, net				—					(7)	(7)
BALANCE MARCH 31, 2019	2,508,330	$4,009	$933	$63,624	($1,145)	($14,968)	($99,484)	$102,103	$480	$55,552

Dollars in millions; shares in thousands	Common Stock Shares	Common Stock Amount	Preferred Stock	Add-itional Paid-In Capital	Reserve for ESOP Debt Retirement	Accumu-lated Other Comp-rehensive Income/(Loss)	Treasury Stock	Retained Earnings	Non-controlling Interest	Total Share-holders' Equity
	Nine Months Ended March 31, 2019									
BALANCE JUNE 30, 2018	2,498,093	$4,009	$967	$63,846	($1,204)	($14,749)	($99,217)	$98,641	$590	$52,883
Impact of adoption of new accounting standards						(326)		(200)	(27)	(553)
Net earnings								9,138	65	9,203
Other comprehensive income/(loss)						107			—	107
Dividends and dividend equivalents ($2.1516 per share):										
Common								(5,380)		(5,380)
Preferred, net of tax benefits								(195)		(195)
Treasury stock purchases	(37,282)						(3,253)			(3,253)
Employee stock plans	43,586			(110)			2,957			2,847
Preferred stock conversions	3,933		(34)	5			29			—
ESOP debt impacts					59			99		158
Noncontrolling interest, net				(117)					(148)	(265)
BALANCE MARCH 31, 2019	2,508,330	$4,009	$933	$63,624	($1,145)	($14,968)	($99,484)	$102,103	$480	$55,552

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in millions	Nine Months Ended March 31 2020	Nine Months Ended March 31 2019
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	**$ 4,239**	$ 2,569
OPERATING ACTIVITIES		
Net earnings	**10,317**	9,203
Depreciation and amortization	**2,199**	2,004
Share-based compensation expense	**325**	299
Deferred income taxes	**(588)**	(24)
Loss (gain) on sale of assets	**11**	(370)
Changes in:		
Accounts receivable	**135**	(549)
Inventories	**(533)**	(601)
Accounts payable, accrued and other liabilities	**738**	1,441
Other operating assets and liabilities	**(58)**	(537)
Other	**51**	225
TOTAL OPERATING ACTIVITIES	**12,597**	11,091
INVESTING ACTIVITIES		
Capital expenditures	**(2,415)**	(2,533)
Proceeds from asset sales	**28**	22
Acquisitions, net of cash acquired	**(58)**	(3,943)
Purchases of short-term investments	**—**	(159)
Proceeds from sales and maturities of investment securities	**6,151**	2,535
Change in other investments	**(2)**	(59)
TOTAL INVESTING ACTIVITIES	**3,704**	(4,137)
FINANCING ACTIVITIES		
Dividends to shareholders	**(5,761)**	(5,561)
Increases/(reductions) in short-term debt	**3,020**	(1,832)
Additions to long-term debt	**4,951**	2,368
Reductions to long-term debt	**(1,534)**	(1,002)
Treasury stock purchases	**(7,405)**	(3,253)
Impact of stock options and other	**1,761**	2,590
TOTAL FINANCING ACTIVITIES	**(4,968)**	(6,690)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(179)**	(95)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**11,154**	169
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	**$ 15,393**	$ 2,738

See accompanying Notes to Consolidated Financial Statements.

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019. In the opinion of management, the accompanying unaudited Consolidated Financial Statements of The Procter & Gamble Company and subsidiaries (the "Company," "Procter & Gamble," "P&G," "we" or "our") contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

2. New Accounting Pronouncements and Policies

On July 1, 2019, we adopted ASU 2016-02, "Leases (Topic 842)." The new accounting standard requires the recognition of right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the balance sheet. We elected the optional transition method and adopted the new guidance on a modified retrospective basis with no restatement of prior period amounts. As allowed under the new accounting standard, we elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption. The adoption did not have a material impact on our financial statements, resulting in an increase of approximately 1% to each of our total assets and total liabilities on our balance sheet as of July 1, 2019. See Note 10 for further information.

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

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

No other new accounting pronouncement issued or effective during the fiscal year had, or is expected to have, a material impact on our Consolidated Financial Statements.

3. Segment Information

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

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

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

	% of Net sales by operating segment [(1)]			
	Three Months Ended March 31		Nine Months Ended March 31	
	2020	2019	2020	2019
Fabric Care	**23%**	22%	**23%**	23%
Baby Care	**11%**	12%	**11%**	12%
Home Care	**11%**	11%	**10%**	10%
Skin and Personal Care	**9%**	10%	**10%**	10%
Hair Care	**9%**	9%	**9%**	9%
Family Care	**9%**	8%	**9%**	9%
Oral Care	**8%**	8%	**8%**	8%
Shave Care	**7%**	8%	**7%**	8%
Feminine Care	**7%**	6%	**6%**	6%
Personal Health Care	**5%**	5%	**5%**	4%
Other	**1%**	1%	**2%**	1%
Total	**100%**	100%	**100%**	100%

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

Following is a summary of reportable segment results:

		Three Months Ended March 31			Nine Months Ended March 31		
		Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings	Net Sales	Earnings/(Loss) Before Income Taxes	Net Earnings
Beauty	**2020**	**$ 3,033**	**$ 553**	**$ 436**	**$ 10,183**	**$ 2,717**	**$ 2,168**
	2019	3,061	675	551	9,707	2,586	2,082
Grooming	**2020**	**1,380**	**305**	**254**	**4,559**	**1,225**	**1,018**
	2019	1,424	329	344	4,603	1,194	1,062
Health Care	**2020**	**2,262**	**523**	**408**	**7,013**	**1,795**	**1,380**
	2019	2,115	462	358	6,180	1,571	1,210
Fabric & Home Care	**2020**	**5,826**	**1,271**	**957**	**17,445**	**3,887**	**2,960**
	2019	5,382	1,114	847	16,427	3,392	2,584
Baby, Feminine & Family Care	**2020**	**4,597**	**1,130**	**859**	**13,746**	**3,340**	**2,552**
	2019	4,357	861	653	13,305	2,693	2,052
Corporate	**2020**	**116**	**(284)**	**43**	**306**	**(591)**	**239**
	2019	123	(163)	23	368	(302)	213
Total Company	**2020**	**$ 17,214**	**$ 3,498**	**$ 2,957**	**$ 53,252**	**$ 12,373**	**$ 10,317**
	2019	16,462	3,278	2,776	50,590	11,134	9,203

4. Goodwill and Other Intangible Assets

Goodwill is allocated by reportable segment as follows:

	Beauty	Grooming	Health Care	Fabric & Home Care	Baby, Feminine & Family Care	Total Company
Goodwill at June 30, 2019	$ 12,985	$ 12,881	$ 7,972	$ 1,855	$ 4,580	$ 40,273
Acquisitions and divestitures	(1)	—	(46)	—	5	(42)
Translation and other	(189)	(143)	(201)	(23)	(58)	(614)
Goodwill at March 31, 2020	**$ 12,795**	**$ 12,738**	**$ 7,725**	**$ 1,832**	**$ 4,527**	**$ 39,617**

Amounts in millions of dollars unless otherwise specified.

Goodwill from current year acquisitions and divestitures primarily reflects opening balance sheet adjustments from the prior year acquisition of the over-the-counter (OTC) healthcare business of Merck KGaA (Merck OTC) in the Health Care reportable segment (see Note 12), along with a minor Baby Care acquisition in the current year and adjustments from a prior year Beauty acquisition.

Identifiable intangible assets at March 31, 2020 were comprised of:

	Gross Carrying Amount	Accumulated Amortization
Intangible assets with determinable lives	$ 8,458	$ (5,628)
Intangible assets with indefinite lives	21,004	—
Total identifiable intangible assets	**$ 29,462**	**$ (5,628)**

Intangible assets with determinable lives consist of brands, patents, technology and customer relationships. The intangible assets with indefinite lives consist of brands. The amortization expense of determinable lived intangible assets for the three months ended March 31, 2020 and 2019 was $87 and $98, respectively. For the nine months ended March 31, 2020 and 2019, the amortization expense was $274 and $252, respectively.

Goodwill and indefinite lived intangible assets are not amortized but are tested annually for impairment. The test to evaluate goodwill for impairment is a two-step process. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit is less than the carrying value, we perform a second step (the step two testing) to determine the implied fair value of the reporting unit's goodwill. The step two testing of the impairment analysis requires a valuation of a reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

The business unit valuations used to test goodwill and intangible assets for impairment are dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, competitive activities, cost containment, margin expansion and Company business plans. We believe these estimates and assumptions are reasonable. However, future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets, including discount and tax rates or future cash flow projections, could result in significantly different estimates of the fair values. Our annual impairment testing for goodwill and indefinite lived intangible assets occurs during the three months ended December 31.

Most of our goodwill reporting units are comprised of a combination of legacy and acquired businesses and as a result have fair value cushions that, at a minimum, exceed two times their underlying carrying values. Certain of our goodwill reporting units, in particular Shave Care and Appliances, are comprised entirely of acquired businesses and as a result, have fair value cushions that are not as high. The Appliances reporting unit has a fair value that significantly exceeds the underlying carrying value. As previously disclosed, the carrying value of the Shave Care reporting unit and the related Gillette indefinite-lived intangible asset were impaired during the quarter ended June 30, 2019. The underlying reductions in fair values were due in large part to significant currency devaluations in a number of countries relative to the U.S. dollar, a deceleration of category growth caused by changing grooming habits, primarily in the developed markets, and an increased competitive market environment in the U.S. and certain other markets. As a result of the June 30, 2019 impairment determined by the step two testing, the Shave Care fair value exceeded the carrying value by approximately 20% as of June 30, 2019. Because the impairment testing for intangible assets is a one-step process, the Gillette indefinite-lived intangible asset fair value approximated its carrying value at that date. During our annual impairment testing during the quarter ended December 31, 2019, we reduced the discount rate used in the valuation based on developments in the macroeconomic environment. As a result of this change and updates to other underlying cash flow projections, the Shave Care fair value exceeded the carrying value by more than 20% and the Gillette indefinite-lived intangible asset fair value exceeded the carrying value by approximately 5%. The Gillette indefinite-lived intangible asset is most susceptible to future impairment risk.

Amounts in millions of dollars unless otherwise specified.

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

While management can and has implemented strategies to address these events, changes in operating plans or adverse changes in the business or in the macroeconomic environment in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that would trigger future impairment charges of the Shave Care reporting unit's goodwill and indefinite-lived intangibles. As of March 31, 2020, the carrying values of the Shave Care goodwill and the Gillette indefinite-lived intangible asset were $12.4 billion and $14.1 billion, respectively.

The duration and severity of the COVID-19 pandemic could result in additional future impairment charges for the Shave Care reporting unit goodwill and the Gillette indefinite-lived intangible asset. While we have concluded that a triggering event did not occur during the quarter ended March 31, 2020, a prolonged pandemic could impact the results of operations due to changes to assumptions utilized in the determination of the estimated fair values of Shave Care reporting unit and the Gillette indefinite-lived intangible asset that are significant enough to trigger an impairment. Net sales and earnings growth rates could be negatively impacted by reductions or changes in demand for our shave care products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship, or by shifts in demand away from one or more of our higher priced products to lower priced products. In addition, relative global and country/regional macroeconomic factors could result in additional and prolonged devaluation of other countries' currencies relative to the dollar. Finally, the discount rate utilized in our valuation model could be impacted by changes in the underlying interest rates and risk premiums included in the determination of the cost of capital.

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

	Approximate Percent Change in Estimated Fair Value	
	+25 bps Discount Rate	**-25 bps Growth Rates**
Shave Care goodwill reporting unit	(6)%	(6)%
Gillette indefinite-lived intangible asset	(6)%	(6)%

Amounts in millions of dollars unless otherwise specified.

5. Earnings Per Share

Basic net earnings per common share are calculated by dividing Net earnings attributable to Procter & Gamble less preferred dividends by the weighted average number of common shares outstanding during the period. Diluted net earnings per common share are calculated using the treasury stock method, on the basis of the weighted average number of common shares outstanding plus the dilutive effect of stock options and other stock-based awards and the assumed conversion of preferred stock.

Net earnings per share were as follows:

CONSOLIDATED AMOUNTS	Three Months Ended March 31		Nine Months Ended March 31	
	2020	**2019**	**2020**	**2019**
Net earnings	**$ 2,957**	$ 2,776	**$ 10,317**	$ 9,203
Less: Net earnings attributable to noncontrolling interests	**40**	31	**90**	65
Net earnings attributable to P&G (Diluted)	**2,917**	2,745	**10,227**	9,138
Preferred dividends	**(64)**	(64)	**(193)**	(195)
Net earnings attributable to P&G available to common shareholders (Basic)	**$ 2,853**	$ 2,681	**$ 10,034**	$ 8,943
SHARES IN MILLIONS				
Basic weighted average common shares outstanding	**2,476.2**	2,509.1	**2,489.1**	2,501.5
Add: Effect of dilutive securities				
Conversion of preferred shares [(1)]	**85.5**	89.6	**86.4**	90.8
Impact of stock options and other unvested equity awards [(2)]	**51.6**	39.0	**54.8**	32.0
Diluted weighted average common shares outstanding	**2,613.3**	2,637.7	**2,630.3**	2,624.3
NET EARNINGS PER SHARE [(3)]				
Basic	**$ 1.15**	$ 1.07	**$ 4.03**	$ 3.58
Diluted	**$ 1.12**	$ 1.04	**$ 3.89**	$ 3.48

(1) Despite being included currently in Diluted net earnings per common share, the actual conversion to common stock occurs when the preferred shares are sold. Shares may only be sold after being allocated to the ESOP participants pursuant to the repayment of the ESOP's obligations through 2035.

(2) Weighted average outstanding stock options of approximately 7 million and 4 million for the three months ended March 31, 2020 and 2019, and approximately 3 million and 25 million for the nine months ended March 31, 2020 and 2019 respectively, were not included in the Diluted net earnings per share calculation because the options were out of the money or to do so would have been antidilutive (i.e., the total proceeds upon exercise would have exceeded the market value of the underlying common shares).

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

6. Share-Based Compensation and Postretirement Benefits

The following table provides a summary of our share-based compensation expense and postretirement benefit costs:

	Three Months Ended March 31		Nine Months Ended March 31	
	2020	**2019**	**2020**	**2019**
Share-based compensation expense	**$ 123**	$ 118	**$ 325**	$ 299
Net periodic benefit cost for pension benefits [(1)]	**42**	30	**126**	94
Net periodic benefit cost/(credit) for other retiree benefits [(1)]	**(52)**	(41)	**(156)**	(124)

(1) The components of the total net periodic benefit cost for both pension benefits and other retiree benefits for these interim periods, on an annualized basis, do not differ materially from the amounts disclosed in the Annual Report on Form 10-K for the fiscal year ended June 30, 2019.

7. Risk Management Activities and Fair Value Measurements

As a multinational company with diverse product offerings, we are exposed to market risks, such as changes in interest rates, currency exchange rates and commodity prices. There have been no significant changes in our risk management policies or activities during the nine months ended March 31, 2020.

The Company has not changed its valuation techniques used in measuring the fair value of any financial assets and liabilities during the period. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. There were no transfers between levels during the periods presented. Also, there was no significant activity within the Level 3 assets and liabilities during the periods presented. There were no significant assets or liabilities that were remeasured at fair value on a non-recurring basis for the nine months ended March 31, 2020.

Other investments had a fair value of $50 and $169 as of March 31, 2020 and June 30, 2019, respectively, and are presented in Other noncurrent assets. During the nine months ended March 31, 2020, the Company sold all of its existing U.S. government securities and corporate bond securities. Such securities were presented in Available-for-sale investment securities at June 30, 2019, and had fair values of $3,648 and $2,400, respectively. The Company's investments measured at fair value are generally classified as Level 2 within the fair value hierarchy. Cash equivalents were $14,171 and $2,956 as of March 31, 2020 and June 30, 2019, respectively, and are classified as Level 1 within the fair value hierarchy. There are no other material investment balances classified as Level 1 or Level 3 within the fair value hierarchy or using net asset value as a practical expedient. Fair values are generally estimated based upon quoted market prices for similar instruments.

The fair value of long-term debt was $28,602 and $25,378 as of March 31, 2020 and June 30, 2019, respectively. This includes the current portion of long-term debt instruments ($3,473 and $3,390 as of March 31, 2020 and June 30, 2019, respectively). Certain long-term debt (debt designated as a fair value hedge) is recorded at fair value. All other long-term debt is recorded at amortized cost but is measured at fair value for disclosure purposes. We consider our debt to be Level 2 in the fair value hierarchy. Fair values are generally estimated based on quoted market prices for identical or similar instruments.

Disclosures about Financial Instruments

The notional amounts and fair values of financial instruments used in hedging transactions as of March 31, 2020 and June 30, 2019 are as follows:

	Notional Amount		Fair Value Asset		Fair Value (Liability)	
	March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS						
Interest rate contracts	**$ 7,015**	$ 7,721	**$ 232**	$ 177	**$ —**	$ (1)
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS						
Foreign currency interest rate contracts	**$ 3,279**	$ 3,157	**$ 69**	$ 35	**$ (10)**	$ (24)
TOTAL DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	**$ 10,294**	$ 10,878	**$ 301**	$ 212	**$ (10)**	$ (25)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS						
Foreign currency contracts	**$ 6,001**	$ 6,431	**$ 47**	$ 27	**$ (76)**	$ (20)
TOTAL DERIVATIVES AT FAIR VALUE	**$ 16,295**	$ 17,309	**$ 348**	$ 239	**$ (86)**	$ (45)

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

The fair value of the interest rate derivative asset/(liability) directly offsets the cumulative amount of the fair value hedging adjustment included in the carrying amount of the underlying debt obligation. The carrying amount of the underlying debt obligation, which includes the unamortized discount or premium and the fair value adjustment, was $7,217 and $7,860 as of March 31, 2020 and June 30, 2019, respectively. In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The carrying value of those debt instruments designated as net investment hedges, which includes the adjustment for the foreign currency transaction gain or loss on those instruments, was $16,765 and $17,154 as of March 31, 2020 and June 30, 2019, respectively. Changes in the fair value of net investment hedges are recognized in the Foreign currency translation component of Other comprehensive income (OCI). All of the Company's derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy.

Amounts in millions of dollars unless otherwise specified.

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

	Amount of Gain/(Loss) Recognized in OCI on Derivatives			
	Three Months Ended March 31		Nine Months Ended March 31	
	2020	2019	2020	2019
DERIVATIVES IN NET INVESTMENT HEDGING RELATIONSHIPS [1] [2]				
Foreign exchange contracts	**$ 83**	$ 34	**$ 114**	$ 53

(1) For the derivatives in net investment hedging relationships, the amount of gain/(loss) excluded from effectiveness testing, which was recognized in earnings, was $17 and $17 for the three months ended March 31, 2020 and 2019, respectively. The amount of gain/(loss) excluded from effectiveness testing was $57 and $44 for the nine months ended March 31, 2020 and 2019, respectively.

(2) In addition to the foreign currency derivative contracts designated as net investment hedges, certain of our foreign currency denominated debt instruments are designated as net investment hedges. The amount of gain/(loss) recognized in Accumulated other comprehensive income/(loss) (AOCI) for such instruments was $306 and $226 for the three months ended March 31, 2020 and 2019, respectively. The amount of gain/(loss) recognized in AOCI for such instruments was $487 and $467 for the nine months ended March 31, 2020 and 2019, respectively.

	Amount of Gain/(Loss) Recognized in Earnings			
	Three Months Ended March 31		Nine Months Ended March 31	
	2020	2019	2020	2019
DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS				
Interest rate contracts	**$ 109**	$ 21	**$ 56**	$ 39
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS				
Foreign currency contracts	**$ (148)**	$ 75	**$ (160)**	$ 68

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

8. Accumulated Other Comprehensive Income/(Loss)

The table below presents the changes in AOCI, including the reclassifications out of AOCI by component:

	Investment Securities	Pension and Other Retiree Benefits	Foreign Currency Translation	Total AOCI
Balance at June 30, 2019	$ 11	$ (4,198)	$ (10,749)	$ (14,936)
OCI before reclassifications [1]	(10)	104	(1,312)	(1,218)
Amounts reclassified from AOCI into the Consolidated Statements of Earnings [2]	(2)	223	—	221
Net current period OCI	(12)	327	(1,312)	(997)
Less: Other comprehensive income/(loss) attributable to non-controlling interests	—	—	(17)	(17)
Balance at March 31, 2020	**$ (1)**	**$ (3,871)**	**$ (12,044)**	**$ (15,916)**

(1) Net of tax expense/(benefit) of $(2), $51 and $141 for gains/losses on investment securities, pension and other retiree benefit items and foreign currency translation, respectively.

(2) Net of tax expense/(benefit) of $0, $66 and $0 for gains/losses on investment securities, pension and other retiree benefit items and foreign currency translation, respectively.

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

- Investment securities: amounts reclassified from AOCI into Other non-operating income, net.
- Pension and other retiree benefits: amounts reclassified from AOCI into Other non-operating income, net and included in the computation of net periodic postretirement costs.

Amounts in millions of dollars unless otherwise specified.

9. Restructuring Program

The Company has historically incurred an ongoing annual level of restructuring-type activities to maintain a competitive cost structure, including manufacturing and workforce optimization. Before-tax costs incurred under the ongoing program have generally ranged from $250 to $500 annually.

In fiscal 2017 the Company announced specific elements of a multi-year productivity and cost savings plan to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. This program is expected to result in incremental targeted enrollment reductions, along with further optimization of the supply chain and other manufacturing processes.

Restructuring costs incurred consist primarily of costs to separate employees, asset-related costs to exit facilities and other costs. For the three and nine month period ended March 31, 2020, the Company incurred total restructuring charges of $222 and $420, respectively. Of these charges incurred, approximately $198 and $331 were recorded in Cost of products sold and approximately $21 and $80 were recorded in SG&A, respectively. The remainder of these charges were recorded in Other non-operating income, net. The following table presents restructuring activity for the nine months ended March 31, 2020:

	Reserve Balance June 30, 2019	Charges Previously Reported (Six Months Ended December 31, 2019)	Charges for the Three Months Ended March 31, 2020	Nine Months Ended March 31, 2020		Reserve Balance March 31, 2020
				Cash Spent	Charges Against Assets	
Separations	$ 280	$ 81	$ 41	$ (170)	$ —	**$ 232**
Asset-related costs	—	73	148	—	(221)	**—**
Other costs	188	44	33	(107)	—	**158**
Total	**$ 468**	**$ 198**	**$ 222**	**$ (277)**	**$ (221)**	**$ 390**

Separation Costs

Employee separation charges for the three and nine month period ended March 31, 2020 relate to severance packages for approximately 350 and 720 employees, respectively. The packages were primarily voluntary and the amounts were calculated based on salary levels and past service periods. Severance costs related to voluntary separations are generally charged to earnings when the employee accepts the offer.

Asset-Related Costs

Asset-related costs consist of both asset write-downs and accelerated depreciation. Asset write-downs relate to the establishment of a new fair value basis for assets held-for-sale or disposal. These assets were written down to the lower of their current carrying basis or amounts expected to be realized upon disposal, less minor disposal costs. Charges for accelerated depreciation relate to long-lived assets that will be taken out of service prior to the end of their normal service period. These assets relate primarily to manufacturing consolidations and technology standardizations. The asset-related charges will not have a significant impact on future depreciation charges.

Other Costs

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include asset removal and termination of contracts related to supply chain optimization.

Consistent with our historical policies for ongoing restructuring-type activities, the restructuring program charges are funded by and included within Corporate for both management and segment reporting. Accordingly, all of the charges under the program are included within the Corporate reportable segment. However, for informative purposes, the following table summarizes the total restructuring costs related to our reportable segments:

	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2020
Beauty	$ 16	$ 29
Grooming	20	52
Health Care	65	89
Fabric & Home Care	6	17
Baby, Feminine & Family Care	63	92
Corporate [(1)]	52	141
Total Company	**$ 222**	**$ 420**

(1) Corporate includes costs related to allocated overheads, including charges related to our Market Operations, Global Business Services and Corporate Functions activities.

Amounts in millions of dollars unless otherwise specified.

10. Leases

The Company determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. We lease certain real estate, machinery, equipment, vehicles and office equipment for varying periods. Many of these leases include an option to either renew or terminate the lease. For purposes of calculating lease liabilities, these options are included within the lease term when it has become reasonably certain that the Company will exercise such options. The incremental borrowing rate utilized to calculate our lease liabilities is based on the information available at commencement date, as most of the leases do not provide an implicit borrowing rate. The Company does not have any material financing lease or sublease activities.

The Company incurred lease expense for operating leases of $82 and $255 for the three and nine months ended March 31, 2020, respectively. Total cash paid related to leases during the three and nine months ended March 31, 2020 was $60 and $205, respectively, including amounts expensed and amounts capitalized. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected on the Consolidated Balance Sheets. Lease expense for such short-term leases is not material. The most significant assets in our leasing portfolio relate to real estate and vehicles. For purposes of calculating lease liabilities for such leases, we have combined lease and non-lease components.

The right-of-use assets obtained in exchange for new lease liabilities were $42 and $70 for the three and nine months ended March 31, 2020, respectively.

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

	March 31, 2020
Operating leases:	
Other noncurrent assets	**$ 855**
Accrued and other liabilities	245
Other noncurrent liabilities	645
Total operating lease liabilities	**$ 890**
Weighted average remaining lease term:	
Operating leases	6.4 years
Weighted average discount rate:	
Operating leases	4.4 %

At March 31, 2020, future payments of operating lease liabilities were as follows:

	Operating Leases March 31, 2020
1 year	$ 245
2 years	193
3 years	159
4 years	134
5 years	93
Over 5 years	199
Total lease payments	**1,023**
Less: Interest	(133)
Present value of lease liabilities	**$ 890**

Amounts in millions of dollars unless otherwise specified.

As of June 30, 2019, minimum lease payments under non-cancelable operating leases by fiscal year were expected to be:

	Operating Leases
	June 30, 2019
2020	$ 263
2021	209
2022	165
2023	141
2024	121
After 2024	244
Total lease payments	$ 1,143

11. Commitments and Contingencies

Litigation

We are subject, from time to time, to certain legal proceedings and claims arising out of our business, which cover a wide range of matters, including antitrust and trade regulation, product liability, advertising, contracts, environmental, patent and trademark matters, labor and employment matters and tax. While considerable uncertainty exists, in the opinion of management and our counsel, the ultimate resolution of the various lawsuits and claims will not materially affect our financial position, results of operations or cash flows.

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

Income Tax Uncertainties

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

Additional information on the Commitments and Contingencies of the Company can be found in our Annual Report on Form 10-K for the year ended June 30, 2019.

Amounts in millions of dollars unless otherwise specified.

12. Merck Acquisition

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

During the quarter ended December 31, 2019, we completed the allocation of the purchase price to the individual assets acquired and liabilities assumed. The allocation is based on the final determination of fair values of the assets and liabilities acquired. The following table presents the allocation of purchase price related to the Merck OTC business as of the date of the acquisition:

Amounts in millions		November 30, 2018
Current assets	$	421
Property, plant and equipment		119
Intangible assets		2,134
Goodwill		2,083
Other non-current assets		209
Total assets acquired	$	4,966
Current liabilities	$	232
Deferred income taxes		763
Non-current liabilities		94
Total liabilities acquired	$	1,089
Noncontrolling interest [1]	$	169
Net assets acquired	$	3,708

[1] Represents a 48% minority ownership interest in the Merck India company.

The acquisition resulted in $2.1 billion in goodwill, of which approximately $180 million is expected to be deductible for tax purposes. All of this goodwill was allocated to the Health Care reportable segment.

The fair value of Merck OTC's identifiable intangible assets is $2.1 billion. The allocation of identifiable intangible assets and their average useful lives is as follows:

Amounts in millions		Estimated Fair Value	Avg Remaining Useful Life
Intangible assets with determinable lives			
Brands	$	701	14
Patents and technology		162	10
Customer relationships		325	20
Total	$	1,188	15
Intangible assets with indefinite lives			
Brands		946	
Total intangible assets	$	2,134	

The majority of the acquired intangible assets relate to brand intangibles. Our assessment as to brand intangibles that have an indefinite life and those that have a definite life was based on a number of factors, including competitive environment, market share, brand history, product life cycles, operating plan and the macroeconomic environment of the countries in which the brands are sold. The indefinite-lived brand intangibles include Neurobion and Dolo Neurobion. The definite-lived brand intangibles primarily include regional or local brands. The definite-lived brand intangibles have estimated lives ranging from 10 to 20 years. The technology intangibles are related to R&D and manufacturing know-how. The customer relationships intangibles are related to Merck OTC's relationships with health care professionals, retailers and distributors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including, without limitation, the following sections: “Management's Discussion and Analysis,” “Risk Factors,” and "Notes 4 and 11 to the Consolidated Financial Statements." These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, except to the extent required by law.

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

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

The MD&A is organized in the following sections:

- Overview
- Summary of Results – Nine Months Ended March 31, 2020
- Economic Conditions and Uncertainties
- Results of Operations – Three and Nine Months Ended March 31, 2020
- Business Segment Discussion – Three and Nine Months Ended March 31, 2020
- Liquidity and Capital Resources
- Reconciliation of Measures Not Defined by U.S. GAAP

Throughout the MD&A, we refer to measures used by management to evaluate performance, including unit volume growth, net sales and net earnings. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), consisting of organic sales growth, core net earnings per share (Core EPS), adjusted free cash flow and adjusted free cash flow productivity. The explanation at the end of the MD&A provides the definition of these non-GAAP measures, details on the use and the derivation of these measures, as well as reconciliations to the most directly comparable U.S. GAAP measures.

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

OVERVIEW

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

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

The table below provides detail on our reportable segments, including the product categories and brand composition within each segment.

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

(1) The Grooming product category is comprised of the Shave Care and Appliances operating segments.

The following table provides the percentage of net sales and net earnings by reportable business segment for the three and nine months ended March 31, 2020 (excluding net sales and net earnings in Corporate):

	Three Months Ended March 31, 2020		Nine Months Ended March 31, 2020	
	Net Sales	Net Earnings	Net Sales	Net Earnings
Beauty	18%	15%	19%	22%
Grooming	8%	9%	9%	10%
Health Care	13%	14%	13%	14%
Fabric & Home Care	34%	33%	33%	29%
Baby, Feminine & Family Care	27%	29%	26%	25%
Total Company	**100%**	**100%**	**100%**	**100%**

SUMMARY OF RESULTS

Following are highlights of results for the nine months ended March 31, 2020 versus the nine months ended March 31, 2019:

- Net sales increased 5% to $53.3 billion, driven by a double digit increase in Health Care, mid-single digits increases in Beauty and Fabric & Home Care and a low single digits increase in Baby, Feminine & Family Care, partially offset by a low single digits decrease in Grooming. Organic sales, which exclude the impacts of acquisitions and divestitures and foreign exchange, increased 6%, driven by high single digits increase in Health Care and Fabric & Home Care, mid-single digits increases in Beauty and Baby, Feminine & Family Care and low single digits increases in Grooming.
- Unit volume increased 5% , with organic volume up 4%. Volume increased double digits in Health Care, mid-single digits in Fabric & Home Care and low single digits in Beauty and in Baby, Feminine & Family Care. Grooming volume was unchanged. Excluding the impacts of the Merck OTC acquisition, organic volume increased high single digits in Health Care.
- Net earnings were $10.3 billion, an increase of $1.1 billion or 12% versus the prior year period due to the increase in net sales, an increase in operating margin and a reduction in the current period income tax rate, partially offset by the base period gain on the dissolution of the PGT Healthcare partnership.
- Net earnings attributable to Procter & Gamble increased $1.1 billion or 12% versus the prior year period to $10.2 billion .
- Diluted net earnings per share increased 12% to $3.89 due primarily to the increase in net earnings.
- Core net earnings attributable to Procter & Gamble, which represents net earnings excluding incremental restructuring charges in both periods and the base period gain on the dissolution of the PGT Healthcare partnership, increased 16% to $10.4 billion. Core net earnings per share increased 16% to $3.96 due primarily to the increase in Core net earnings.
- Operating cash flow was $12.6 billion. Adjusted free cash flow, which is operating cash flow less capital expenditures and certain other impacts, was $10.4 billion. Adjusted free cash flow productivity was 101%.

ECONOMIC CONDITIONS AND UNCERTAINTIES

Global Economic Conditions. Our products are sold in numerous countries across North America, Europe, Latin America, Asia and Africa with more than half our sales generated outside the United States. As such, we are exposed to and impacted by global macroeconomic factors, U.S. and foreign government policies and foreign exchange fluctuations. Current global economic conditions are highly volatile due to the COVID-19 pandemic, resulting in both market size contractions in certain countries due to economic slowdowns and government restrictions on movement, as well as market size increases in certain countries due to pantry loading and increased consumption of household cleaning and personal health and hygiene products by consumers. Other macroeconomic factors also remain dynamic, and any causes of market size contraction, such as reduced GDP in commodity-dependent economies, greater political unrest or instability in the Middle East, Central & Eastern Europe, certain Latin American markets, the Hong Kong market in Greater China and the Korean peninsula, economic uncertainty related to the United Kingdom's exit from the European Union, and overall economic slowdowns, could reduce our sales or erode our operating margin, in either case reducing our earnings.

Changes in Costs. Our costs are subject to fluctuations, particularly due to changes in commodity prices, transportation costs and our own productivity efforts. We have significant exposures to certain commodities, in particular, certain oil-derived materials like resins and paper-based materials like pulp, and volatility in the market price of these commodity input materials has a direct impact on our costs. Disruptions in our manufacturing, supply and distribution operations due to the COVID-19 pandemic may also impact our costs. If we are unable to manage these impacts through pricing actions, cost savings projects and sourcing decisions, as well as through consistent productivity improvements, it may adversely impact our gross margin, operating margin and net earnings. Sales could also be adversely impacted following pricing actions if there is a negative impact on consumption of our products. We strive to implement, achieve and sustain cost improvement plans, including outsourcing projects, supply chain optimization and general overhead and workforce optimization. As discussed later in this MD&A, in 2012 we initiated overhead and supply chain cost improvement projects. In fiscal 2017, we communicated specific elements of an additional multi-year cost reduction program which is resulting in targeted enrollment reductions and other savings. If we are not successful in executing and sustaining these changes, there could be a negative impact on our operating margin and net earnings.

Foreign Exchange. We have both translation and transaction exposure to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to 1) the impact from input costs that are denominated in a currency other than the local reporting currency and 2) the revaluation of transaction-related working capital balances denominated in currencies other than the functional currency. In four of the past five fiscal years, as well as the current year, the U.S. dollar has strengthened versus a number of foreign currencies, leading to lower sales and earnings from these foreign exchange impacts. Certain countries experiencing significant exchange rate fluctuations, like Argentina, Brazil, Greater China, Turkey and the United Kingdom have previously had, and could in the future have, a significant impact on our sales, costs and earnings. Increased pricing in response to certain fluctuations in foreign currency exchange rates may offset portions of the currency impacts but could also have a negative impact on consumption of our products, which would affect our sales and profits.

Government Policies. Our net earnings could be affected by changes in U.S. or foreign government tax policies, for example, the U.S. Tax Act enacted in December 2017, and the current work being led by the OECD for the G20 focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of this project extends beyond pure digital businesses and is likely to impact all multinational businesses by redefining jurisdictional taxing rights. Further, our earnings and sales may be impacted by U.S. and foreign government policies to manage the COVID-19 pandemic, such as movement restrictions or site closures. Additionally, we attempt to carefully manage our debt, currency and other exposures in certain countries with currency exchange, import authorization and pricing controls, such as Nigeria, Algeria, Egypt, Argentina and Turkey. Further, our earnings and sales could be affected by changes to international trade agreements in North America and elsewhere, including increases of import tariffs, both currently effective and potential future changes. Changes in government policies in these areas might cause an increase or decrease in our sales, operating margin and net earnings.

For information on risk factors that could impact our results, please refer to “Risk Factors” in Part II, Item 1A of this Form 10-Q.

COVID-19 Pandemic disclosures

The Company’s priorities during the COVID-19 pandemic are protecting the health and safety of our employees; maximizing the availability of products that help consumers with their health, hygiene and cleaning needs; and the use of our employees’

talents and our resources to help society meet and overcome the current challenges. Because the Company sells products that are essential to the daily lives of consumers, the COVID-19 pandemic has not had a material net impact to our consolidated operating results in the current quarter. However, the pandemic has had offsetting impacts during the period. For example, during the quarter ended March 31, 2020 we experienced a significant increase in demand and consumption of certain of our product categories in certain markets (the health, hygiene and cleaning products, and primarily in North America and Europe) caused in part by changing consumer habits and pantry stocking, contributing to increases in net sales. At the same time, we experienced declines in Greater China, Japan, and in certain channels, including travel retail, due to the economic slowdown and restricted consumer movements, as well as in certain of our beauty and grooming products. In the future, the pandemic may cause reduced demand for our products if it results in a recessionary global economic environment. It could also lead to volatility in consumer access to our products due to government actions impacting our ability to produce and ship products or impacting consumers’ movements and access to our products. We believe that over the long term, there will continue to be strong demand for categories in which we operate, particularly our products that deliver essential health, hygiene and cleaning benefits. However, the timing and extent of demand recovery in markets such as Greater China and Japan, the resumption of international travel, the timing and impact of potential consumer pantry destocking in markets including North America and Europe, and product demand trends caused by future economic trends are unclear. Accordingly, there may be heightened volatility in net sales and resulting earnings during and subsequent to the duration of the pandemic. Our retail customers are also being impacted by the pandemic. Their success in addressing the issues and maintaining their operations could impact consumer access to, and as a result, sales of our products.

Our ability to continue to operate without any significant negative impacts will in part depend on our ability to protect our employees and our supply chain. The Company has endeavored to follow recommended actions of government and health authorities to protect our employees world-wide, with particular measures in place for those working in our plants and distribution facilities. We have also worked closely with local and national officials to keep our manufacturing facilities open due to the essential nature of our products. For the three months ended March 31, 2020, we were able to broadly maintain our operations. We intend to continue to work with government authorities and implement our employee safety measures to ensure that we are able to continue manufacturing and distributing our products during the pandemic. However, uncertainty resulting from the pandemic could result in an unforeseen disruption to our supply chain (for example a closure of a key manufacturing or distribution facility or the inability of a key supplier or transportation supplier to source and transport materials) that could impact our operations.

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

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

RESULTS OF OPERATIONS – Three Months Ended March 31, 2020

The following discussion provides a review of results for the three months ended March 31, 2020 versus the three months ended March 31, 2019.

	Three Months Ended March 31		
Amounts in millions, except per share amounts	**2020**	**2019**	**% Chg**
Net sales	**$17,214**	$16,462	5%
Operating income	**3,453**	3,229	7%
Net earnings	**2,957**	2,776	7%
Net earnings attributable to Procter & Gamble	**2,917**	2,745	6%
Diluted net earnings per common share	**1.12**	1.04	8%
Core net earnings per common share	**1.17**	1.06	10%

	Three Months Ended March 31		
COMPARISONS AS A PERCENTAGE OF NET SALES	**2020**	**2019**	**Basis Pt Chg**
Gross margin	**49.4%**	48.8%	60
Selling, general & administrative expense	**29.3%**	29.2%	10

Operating income	**20.1%**	19.6%	50
Earnings before income taxes	**20.3%**	19.9%	40
Net earnings	**17.2%**	16.9%	30
Net earnings attributable to Procter & Gamble	**16.9%**	16.7%	20

Net Sales

Net sales for the quarter increased 5% to $17.2 billion including a 2% negative impact from foreign exchange. Unit volume increased 6%. Excluding the impacts of acquisitions and divestitures, organic volume also increased 6%. Increased pricing had a 1% positive impact to net sales. Mix had no impact to net sales. Volume increased high single digits in Heath Care, Fabric & Home Care and in Baby, Feminine & Family Care, and increased low single digits in Beauty. Grooming volume was unchanged. On a regional basis, volume increased double digits in North America and high single digits in Europe driven by innovation, increased demand and market growth, particularly in household cleaning and personal health and hygiene products due in part to the COVID-19 pandemic. Volume increased mid-single digits in Asia Pacific and Latin America. These increases were partially offset by a double digits volume decrease in Greater China due to market contraction driven by economic slowdown resulting from COVD-19 and a low single digits decrease in India, Middle East and Africa (IMEA). Organic sales increased 6% on a 6% increase in organic volume.

Net Sales Change Drivers 2020 vs. 2019 (Three Months Ended March 31) [1]

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [2]	Net Sales Growth
Beauty	1%	1%	(2)%	2%	(2)%	—%	(1)%
Grooming	—%	—%	(3)%	2%	(2)%	—%	(3)%
Health Care	7%	7%	(2)%	1%	1%	—%	7%
Fabric & Home Care	8%	8%	(1)%	—%	1%	—%	8%
Baby, Feminine & Family Care	7%	7%	(1)%	—%	—%	—%	6%
Total Company	**6%**	**6%**	**(2)%**	**1%**	**—%**	**—%**	**5%**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.
(2) Other includes the sales mix impact from acquisitions and divestitures and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin increased 60 basis points to 49.4% of net sales for the quarter. Gross margin benefited from:

- 170 basis points of gross manufacturing cost savings projects (150 basis points net of product and packaging reinvestments),
- 100 basis points of lower commodity costs, and
- 40 basis points of positive pricing impacts

These benefits were partially offset by a 160 basis point decline from unfavorable mix (due to the disproportionate growth of Fabric & Home Care and Baby, Feminine & Family Care segments which have lower than company average margins, as well as mix within segments due to the growth of lower margin product forms and large sizes in certain categories), a 60 basis-point decline from higher restructuring costs and a 10 basis-point decline from unfavorable foreign exchange.

Total SG&A spending increased 5% to $5.0 billion primarily due to increases in marketing spending and other operating costs. SG&A as a percentage of net sales increased 10 basis points to 29.3% due to an increase in marketing spending and other net operating costs as a percentage of net sales, partially offset by a reduction in overhead costs as a percentage of net sales. Marketing spending as a percentage of net sales increased 40 basis points as the positive scale impacts of the net sales increase and savings in agency compensation, production costs and advertising spending were more than offset by reinvestments in media. Overhead costs as a percentage of net sales declined 50 basis points due to the positive scale impacts of the net sales increase and productivity savings, partially offset by inflation and other cost increases. Other net operating costs as a percentage of net sales increased 30 basis points primarily due to an increase in foreign exchange transaction charges. Productivity-driven cost savings delivered 70 basis points of benefit to SG&A as a percentage of net sales.

Non-Operating Expenses and Income

Interest expense was $100 million for the quarter, a decrease of $31 million versus the prior year period due to a decrease in average debt balances and a reduction in U.S. interest rates. Interest income was $39 million for the quarter, a $13 million decrease versus the prior year period due to lower average cash and investment securities balances and reduced U.S. interest rates. Other non-operating income was $106 million, a decrease of $22 million due to higher costs on certain postretirement benefit plans in the current period.

Income Taxes

For the three months ended March 31, 2020, the effective tax rate increased 20 basis points versus the prior year period to 15.5%. A 290 basis-point increase from an unfavorable geographic mix of earnings, caused primarily by disproportionately higher sales and earnings in the U.S. was partially offset by:

- a 150 basis-point reduction from a non-recurring tax benefit arising from a simplification of our legal entity structure,
- a 70 basis-point reduction from discrete impacts related to uncertain tax positions (30 basis-point reduction in the current period versus 40 basis-point increase in the prior year period) and
- a 40 basis-point reduction from increased excess tax benefits of share-based compensation (280 basis-point reduction in the current period

versus 240 basis-point reduction in the prior year period).

Net Earnings

Operating income increased $224 million, or 7% to $3.5 billion for the quarter, due to the net sales increase and the increase in gross margin, partially offset by the increase in SG&A as a percentage of sales, all of which are described above. Net earnings increased $181 million or 7% to $3 billion due to the increase in operating income. Foreign exchange had a negative impact of approximately $144 million on net earnings for the quarter, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $172 million or 6% to $2.9 billion for the quarter. Diluted net earnings per share increased 8% to $1.12. Core net earnings per share increased 10% to $1.17. Core net earnings per share represents diluted net earnings per share, excluding the incremental restructuring charges in both periods related to our productivity and cost savings plans.

RESULTS OF OPERATIONS – Nine Months Ended March 31, 2020

The following discussion provides a review of results for the nine months ended March 31, 2020 versus the nine months ended March 31, 2019.

	Nine Months Ended March 31		
Amounts in millions, except per share amounts	**2020**	**2019**	**% Chg**
Net sales	$53,252	$50,590	5%
Operating income	12,225	10,679	14%
Net earnings	10,317	9,203	12%
Net earnings attributable to Procter & Gamble	10,227	9,138	12%
Diluted net earnings per common share	3.89	3.48	12%
Core net earnings per common share	3.96	3.42	16%

	Nine Months Ended March 31		
COMPARISONS AS A PERCENTAGE OF NET SALES	**2020**	**2019**	**Basis Pt Chg**
Gross margin	**50.6%**	48.9%	170
Selling, general & administrative expense	**27.6%**	27.8%	(20)
Operating income	**23.0%**	21.1%	190
Earnings before income taxes	**23.2%**	22.0%	120
Net earnings	**19.4%**	18.2%	120
Net earnings attributable to Procter & Gamble	**19.2%**	18.1%	110

Net Sales

Net sales for the nine months ended March 31, 2020 increased 5% to $53.3 billion including a 2% negative impact from foreign exchange. Unit volume increased 5%. Excluding the impacts of acquisitions and divestitures, organic volume increased 4%. Increased pricing had a 1% favorable impact to net sales. Mix was a 1% positive impact to net sales, driven primarily by disproportionate organic growth of the Health Care segment and the Skin & Personal Care category, both of which have higher than company average selling prices. Volume increased double digits in Health Care, increased mid-single digits in Fabric & Home Care and increased low single digits in Beauty and in Baby, Feminine & Family Care. Volume was unchanged in Grooming. Excluding the impacts of the Merck OTC acquisition, Health Care organic volume increased high single digits. On a regional basis volume grew mid-single digits in North America, Europe, Asia Pacific and Latin America and grew low single digits in IMEA. Excluding the impact of minor acquisitions and divestitures, organic volume increased low single digits in Latin America. Organic sales increased 6% on a 4% increase in organic volume.

Net Sales Change Drivers 2020 vs. 2019 (Nine Months Ended March 31) [(1)]

	Volume with Acquisitions & Divestitures	Volume Excluding Acquisitions & Divestitures	Foreign Exchange	Price	Mix	Other [(2)]	Net Sales Growth
Beauty	3%	3%	(2)%	2%	1%	1%	5%
Grooming	—%	—%	(2)%	2%	(1)%	—%	(1)%
Health Care	13%	7%	(2)%	1%	1%	—%	13%
Fabric & Home Care	6%	6%	(1)%	—%	1%	—%	6%
Baby, Feminine & Family Care	3%	3%	(1)%	1%	—%	—%	3%
Total Company	**5%**	**4%**	**(2)%**	**1%**	**1%**	**—%**	**5%**

(1) Net sales percentage changes are approximations based on quantitative formulas that are consistently applied.
(2) Other includes the sales mix impact from acquisitions and divestitures and rounding impacts necessary to reconcile volume to net sales.

Operating Costs

Gross margin increased 170 basis points to 50.6% of net sales for the nine months ended March 31, 2020. Gross margin benefited from:

- 130 basis points of gross manufacturing cost savings projects (110 basis points net of product and packaging reinvestments),
- 50 basis points of positive pricing impacts, and

- 70 basis points of lower commodity costs

These benefits were partially offset by a 10 basis-point decline from unfavorable foreign exchange and a 50 basis point net decline from unfavorable product mix (primarily mix within segments due to the growth of lower margin product forms and large sizes in certain categories) and other impacts.

Total SG&A spending increased 5% to $14.7 billion for the nine months ended March 31, 2020, primarily due to increases in marketing spending and to a lesser extent overhead costs. SG&A as a percentage of net sales decreased 20 basis points to 27.6% due to a decrease in overhead and other operating costs as a percentage of net sales, partially offset by an increase in marketing spending as a percentage of sales. Marketing spending as a percentage of net sales increased 10 basis points as the positive scale impacts of the net sales increase and savings in agency compensation, production costs and advertising spending, were more than offset by reinvestments in media and other marketing spending. Overhead costs as a percentage of net sales decreased 30 basis points driven by the positive scale impacts of the net sales increase, productivity savings and lower restructuring charges versus the base period, partially offset by inflation, higher incentive compensation costs and other cost increases. Other net operating costs as a percentage of net sales decreased 10 basis points primarily due to gains from legal settlements, partially offset by an increase in foreign exchange transaction charges. Productivity-driven cost savings delivered 80 basis points of benefit to SG&A as a percentage of net sales.

Non-Operating Expenses and Income

Interest expense was $308 million for the nine months ended March 31, 2020, a decrease of $90 million versus the prior year period due to a decrease in average debt balances and a reduction in U.S. interest rates. Interest income was $133 million for the nine months ended March 31, 2020, a decrease of $35 million versus the prior year period due to a decrease in cash and investment securities balances and a reduction in U.S. interest rates. Other non-operating income was $323 million, a decrease of $362 million primarily due to the base period gain from the dissolution of the PGT Healthcare partnership.

Income Taxes

For the nine months ended March 31, 2020, the effective tax rate decreased 70 basis points versus the prior year period to 16.6% due to:

- a 130 basis-point reduction from a non-recurring tax benefit arising from a simplification of our legal entity structure and
- a 40 basis-point reduction from increased excess tax benefits of share-based compensation (a 180 basis-point reduction in the current year versus a 140 basis-point reduction in the prior year).

These reductions are partially offset by:

- a 60 basis-point increase related to the prior year tax impact of the gain on the dissolution of the PGT Healthcare partnership and
- a 30 basis-point increase from unfavorable geographic mix of earnings.

Net Earnings

Operating income increased $1.5 billion, or 14% to $12.2 billion for the nine months ended March 31, 2020, due to the net sales increase, the increase in gross margin and the reduction in SG&A as a percentage of sales, all of which are described above. Net earnings increased $1.1 billion or 12% to $10.3 billion for the fiscal year to date period due to the increase in operating income and the lower tax rates as described above, partially offset by the base period gain on the PGT Healthcare partnership dissolution. Foreign exchange had a negative impact of approximately $234 million on net earnings for the fiscal year to date period, including both transactional charges and translational impacts from converting earnings from foreign subsidiaries to U.S. dollars. Net earnings attributable to Procter & Gamble increased $1.1 billion or 12% to $10.2 billion for the fiscal year to date period. Diluted net earnings per share increased 12% to $3.89. Core net earnings per share increased 16% to $3.96. Core net earnings per share represents diluted net earnings per share excluding the incremental restructuring charges in both periods related to our productivity and cost savings plans and the gain on dissolution of the PGT Healthcare partnership in the base period.

BUSINESS SEGMENT DISCUSSION – Three and Nine Months Ended March 31, 2020

The following discussion provides a review of results by reportable business segment. Analysis of the results for the three and nine month periods ended March 31, 2020 is provided based on a comparison to the same three and nine months periods ended March 31, 2019. The primary financial measures used to evaluate segment performance are net sales and net earnings. The table below provides supplemental information on net sales and net earnings by reportable business segment for the three and nine months ended March 31, 2020 versus the comparable prior year periods (dollar amounts in millions):

	Three Months Ended March 31, 2020					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings	% Change Versus Year Ago
Beauty	$ 3,033	(1) %	$ 553	(18) %	$ 436	(21) %
Grooming	1,380	(3) %	305	(7) %	254	(26) %
Health Care	2,262	7 %	523	13 %	408	14 %
Fabric & Home Care	5,826	8 %	1,271	14 %	957	13 %
Baby, Feminine & Family Care	4,597	6 %	1,130	31 %	859	32 %
Corporate	116	N/A	(284)	N/A	43	N/A
Total Company	**$ 17,214**	**5 %**	**$ 3,498**	**7 %**	**$ 2,957**	**7 %**

	Nine Months Ended March 31, 2020					
	Net Sales	% Change Versus Year Ago	Earnings/(Loss) Before Income Taxes	% Change Versus Year Ago	Net Earnings	% Change Versus Year Ago
Beauty	$ 10,183	5 %	$ 2,717	5 %	$ 2,168	4 %
Grooming	4,559	(1) %	1,225	3 %	1,018	(4) %
Health Care	7,013	13 %	1,795	14 %	1,380	14 %
Fabric & Home Care	17,445	6 %	3,887	15 %	2,960	15 %
Baby, Feminine & Family Care	13,746	3 %	3,340	24 %	2,552	24 %
Corporate	306	N/A	(591)	N/A	239	N/A
Total Company	**$ 53,252**	**5 %**	**$ 12,373**	**11 %**	**$ 10,317**	**12 %**

Beauty

Three months ended March 31, 2020 compared with three months ended March 31, 2019

Beauty net sales decreased 1% to $3.0 billion during the third fiscal quarter on a 1% increase in unit volume. Unfavorable product mix reduced net sales by 2% driven by the disproportionate decline of the super premium SKII brand, caused by the impacts of the COVD-19 pandemic related travel restrictions and economic downturns in Greater China and certain markets in Asia. Higher pricing increased net sales by 2%. Unfavorable foreign exchange impacts reduced net sales by 2%. Organic sales increased 1%. Global market share of the Beauty segment increased 0.2 points. The volume increase was driven by a double digit increase in Europe, a high single digit increase in Asia Pacific and a mid-single digit increase in North America, partially offset by a double digit decrease in Greater China (primarily due to reduced demand caused by the COVID-19 pandemic) and in IMEA.

- Volume in Hair Care decreased low single digits. The volume decrease was driven by a high teens decline in Greater China (due to the aforementioned negative impacts of COVID-19), a double digit decline in IMEA and a mid-single digits decline in North America (both due to market declines in certain countries). This was partially offset by a double digit volume increase in Europe and high single digit increase in Asia Pacific due to innovation. Global market share of the Hair Care category was unchanged.
- Volume in Skin and Personal Care increased high single digits, primarily driven by growth in personal care products. Volume grew double digits in North America, high single digits in Europe and Asia Pacific and mid-single digits in Greater China (all due to innovation, increased marketing spending and increased consumption and pantry loading due to the COVID-19 pandemic). Global market share of the Skin and Personal Care category increased less than half a point.

Net earnings decreased 21% to $436 million due to the decrease in net sales and a 360 basis-point decrease in net earnings margin. The net earnings margin decreased due to a reduction in gross margin, an increase in SG&A as a percentage of net sales and an increase in effective tax rates due to unfavorable geographic mix of earnings. The gross margin decrease was primarily driven by the negative impacts of unfavorable mix, due to the disproportionate decline of the super-premium SKII brand, partially offset by increased pricing. The increase in SG&A as a percentage of net sales was primarily due to the negative scale impacts of the net sales decrease and increased marketing spending.

Nine months ended March 31, 2020 compared with nine months ended March 31, 2019

Beauty fiscal year to date net sales increased 5% to $10.2 billion on a 3% increase in unit volume. Favorable product mix added 1% to net sales due to the disproportionate growth of the Skin and Personal Care category, including the Olay Skin care brand, which has higher than segment average selling prices. Higher pricing increased net sales by 2%. Unfavorable foreign exchange impacts reduced net sales by 2%. Organic sales increased 6%. Global market share of the Beauty segment increased 0.1 points. Volume grew high single digits in Europe, mid-single digits in Asia Pacific and low single digits in North America, Greater China and Latin America, partially offset by low single digit decrease in IMEA.

- Volume in Hair Care increased low single digits. Increased volume was driven by high single digits growth in Europe, mid-single digits growth in Asia Pacific and low single digits growth in Latin America due to product innovation and market growth, partially offset by a mid-single digit decline in Greater China (due to the aforementioned impacts of the COVID-19 pandemic) and a low single digit decline in IMEA (due to market decline in certain countries). Volume in North America was unchanged. Excluding the impact of minor acquisitions, organic volume in North America decreased low single digits due to market decline. Global market share of the Hair Care category was unchanged.
- Volume in Skin and Personal Care increased high single digits. Excluding the impact of minor brand acquisitions, organic volume increased mid-single digits. Volume growth was driven by a double digit increase in Greater China and mid-single digits increases in North America, Europe, Latin America and Asia Pacific. Volume growth was driven by innovation, increased marketing spending, market growth and to a lesser extent increased consumption and pantry loading in the most recent quarter due to the COVID-19 pandemic. Global market share of the Skin and Personal Care category increased less than half a point.

Net earnings increased 4% to $2.2 billion due to the increase in net sales, partially offset by a 10 basis-point decrease in net earnings margin. Net earnings margin decreased marginally due to a reduction in gross margin, offset by a reduction in SG&A as a percentage of net sales. The gross margin decrease was primarily driven by the negative impacts of unfavorable mix (due to the lower relative growth of the SK-II brand and the disproportionate growth of large sizes) and other hurts related to new manufacturing startup costs, partially offset by increased pricing. The reduction in SG&A as a percentage of net sales was primarily due to the positive scale impacts of the net sales increase.

Grooming

Three months ended March 31, 2020 compared with three months ended March 31, 2019

Grooming net sales decreased 3% to $1.4 billion during the third fiscal quarter on unit volume that was unchanged. Unfavorable foreign exchange had a negative 3% impact on net sales. Pricing had a positive 2% impact on net sales. Negative mix had a 2% unfavorable impact to net sales due to declines of the Appliances category and the North America region which have higher than segment average selling prices. Organic sales decreased 1%. Global market share of the Grooming segment increased 0.8 points. Mid-single digits volume increases in Asia Pacific, IMEA and Latin America, were offset by a mid-teens decline in Greater China primarily due to the impacts of the COVID-19 pandemic and a mid-single digits decline in North America.

- Shave Care volume was unchanged. Volume increased high single digits in Asia Pacific, increased mid-single digits in Latin America and increased low single digits in IMEA due to product innovation and increased distribution in certain markets. This was offset by a double digit decline in Greater China (due to the economic slowdown resulting from the COVID-19 pandemic) and a mid-single digits decline in North America (due to limited distribution capacity in light of the COVID-19 pandemic). Global market share of the Shave Care category increased slightly.
- Volume in Appliances decreased low single digits. Volume declined more than 30% in Greater China and declined high single digits in Asia Pacific due to the aforementioned COVID-19 impacts and competitive activity. This was partially offset by a more than 20% volume increase in IMEA, a high single digits increase in North America and a low single digits increase in Europe due to innovation and increased marketing spending in certain markets. Global market share of the Appliances category increased more than two points.

Net earnings decreased 26% to $254 million due to the decrease in net sales and a 570 basis-point decrease in net earnings margin. The net earnings margin declined primarily due to an increase in effective tax rates due to the benefit in the base period from the favorable adjustments to reserves for uncertain tax positions. To a lesser extent the net earnings margin was impacted by a reduction in gross margin and an increase in SG&A as a percentage of net sales. Gross margin decreased due to the negative impact of unfavorable mix (due to the disproportionate growth of disposable razor products and Asia Pacific and IMEA regions which have lower than segment average margins) and unfavorable foreign exchange impacts, partially offset by the benefits of manufacturing cost savings and increased selling prices. SG&A as a percentage of net sales increased due to the negative scale impacts of the net sales decline.

Nine months ended March 31, 2020 compared with nine months ended March 31, 2019

Grooming fiscal year to date net sales was $4.6 billion, a decrease of 1%, on unit volume that was unchanged. Unfavorable foreign exchange had a negative 2% impact on net sales. Pricing had a positive 2% impact on net sales. Unfavorable mix was a negative 1% impact to net sales due to declines of the Appliances category and the North America region which have higher than segment average selling prices. Organic sales increased 1%. Global market share of the Grooming segment increased 0.3 points. A mid-single digits volume increase in Asia Pacific and low single digits increases in Europe, IMEA and Latin America were offset by mid-single digit declines in North America and in Greater China.

- Shave Care volume increased low single digits. The volume increase was driven by a double digit increase in Asia Pacific and low single digits increases in Europe, IMEA and Latin America due to product innovation, partially offset by a mid-single digits decline in North America and Greater China due to market decline and to a lesser extent, the impacts of the COVID-19 pandemic. Global market share of the Shave Care category was unchanged.
- Volume in Appliances decreased low single digits. A double digit decline in Asia Pacific and Greater China (due to market contraction, competitive activities and to a lesser extent the aforementioned impacts of the COVID-19 pandemic), was partially offset by mid-single digits volume increase in North America and low single digits increase in Europe due to innovation. Global market share of the Appliances category increased more than a point.

Net earnings decreased 4% to $1.0 billion due to the decrease in net sales and an 80 basis-point decrease in net earnings margin. Net earnings margin decreased primarily due to an increase in effective tax rates and to a lesser extent a reduction in gross margin, partially offset by a reduction in SG&A as a percentage of net sales. The increase in tax rates was due to the benefit in the base period from the favorable adjustments to reserves for uncertain tax positions. SG&A as a percentage of net sales decreased primarily due to a favorable legal settlement in the current period and a reduction in overhead costs due to productivity savings. Gross margin declined due to the negative impact of unfavorable mix (due to the disproportionate growth of disposable razor products and Asia Pacific and IMEA regions which have lower than segment average margins) and unfavorable foreign exchange impacts, partially offset by the benefits of manufacturing cost savings and increased selling prices.

Health Care

Three months ended March 31, 2020 compared with three months ended March 31, 2019

Health Care net sales increased 7% to $2.3 billion during the third fiscal quarter on a 7% increase in unit volume. Unfavorable foreign exchange impacts decreased net sales by 2%. Pricing had a 1% positive impact to net sales for the quarter. Favorable mix increased net sales by 1% due to the disproportionate growth of the Personal Health Care category and the North America region, both of which have higher than segment average selling prices. Organic sales increased 9%. Global market share of the Health Care segment increased 0.8 points. The volume increase was led by double digit growth in Latin America and IMEA and high single digits growth in Europe and North America. This was partially offset by a mid-teens decline in Greater China due primarily to the COVID-19 pandemic related economic slowdown.

- Oral Care volume increased mid-single digits. The volume increase was driven by over 20% growth in IMEA, mid-teens growth in Latin America, mid-single digits growth in Europe and low single digits growth in North America all driven by innovation and market growth. This was partially offset by a mid-teens volume decline in Greater China due to the economic slowdown related to the COVID-19 pandemic. Global market share of the Oral Care category increased less than a point.
- Volume in Personal Health Care increased double digits versus the prior year period. The volume increase was driven by high teens growth in North America, mid-teens growth in Europe, high single digits growth in Latin America, and mid-single digits growth in IMEA, driven by innovation, increased marketing spending and increased consumption and pantry loading due to the COVID-19 pandemic. Global market share of the Personal Health Care category increased a point.

Net earnings increased 14% to $408 million, due to the increase in net sales and a 110 basis-points increase in net earnings margin. Net earnings margin increased due to an increase in gross margin and a decrease in SG&A as a percentage of net sales. The increase in gross margin was driven by the positive impacts of manufacturing cost savings and increased pricing, partially offset by unfavorable mix impact due to the disproportionate growth of certain markets in IMEA with lower than segment average margins. SG&A as a percentage of net sales decreased primarily due to the positive scale benefits of the net sales increase and a reduction in overhead costs due to productivity savings.

Nine months ended March 31, 2020 compared with nine months ended March 31, 2019

Health Care fiscal year to date net sales increased 13% to $7.0 billion on a 13% increase in unit volume. Excluding the impact of the Merck OTC consumer healthcare acquisition, organic sales increased 8% and organic volume increased 7%. Unfavorable foreign exchange impacts reduced net sales by 2%. Higher pricing increased net sales by 1%. Favorable mix increased net sales by 1% due to the disproportionate organic growth of the Personal Health Care category which has higher than segment average margins. Global market share of the Health Care segment increased 0.6 points. The volume increase was led by over 30% growth in IMEA, high teens growth in Latin America, mid-teens growth in Europe, double digit growth in Asia Pacific and high single digits growth in North America, partially offset by mid-single digits decrease in Greater China. Excluding the impact of the Merck OTC consumer healthcare acquisition, organic volume increased mid-teens in IMEA, increased high single digits in Latin America, increased mid-single digits in Europe and increased low single digits in Asia Pacific.

- Oral Care volume increased mid-single digits. Increased volume was driven by over 20% growth in IMEA, double digits growth in Latin America, mid-single digits growth in Asia Pacific and North America and low single digits growth in Europe, all due to innovation and market growth. Excluding the impact of minor divestitures, volume in Europe grew mid-single digits. Growth in these markets was partially offset by a mid-single digits volume decrease in Greater China due to the economic slowdown related to the COVID-19 pandemic in the most recent quarter and competitive activities. Global market share of the Oral Care category increased half a point.
- Volume in Personal Health Care increased more than 30% versus the prior period. Excluding the impact of the Merck OTC consumer healthcare acquisition, organic volume increased double digits. The organic volume increase was driven by mid-teens growth in Europe and double digits growth in North America (both due to innovation, increased marketing spending, and to a lesser extent the increased consumption and pantry loading due to the COVID-19 pandemic), a high single digits growth in IMEA and mid-single digits growth in Latin America (both due to innovation and increased marketing spending) partially offset by a low single digits decline in Asia Pacific due to devaluation-related price increases. Global market share of the Personal Health Care category increased more than half a point.

Net earnings increased 14% to $1.4 billion due to the increase in net sales and a 10 basis-points increase in net earnings margin. Net earnings margin increased due to an increase in gross margin partially offset by an increase in SG&A as a percentage of net sales. The increase in gross margin was driven primarily by the positive impacts of increased pricing and manufacturing cost savings. SG&A as a percentage of net sales increased primarily due to an increase in overheads and other operating expenses primarily caused by the Merck OTC consumer healthcare acquisition, partially offset by the positive scale benefits of the net sales increase.

Fabric & Home Care

Three months ended March 31, 2020 compared with three months ended March 31, 2019

Fabric & Home Care net sales increased 8% to $5.8 billion during the third fiscal quarter on an 8% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 1%. Positive mix impacts increased net sales by 1% due to the disproportionate growth of the Home Care category, which has higher than segment average prices. Pricing had no net impact to net sales. Organic sales increased 10%. Global market share of the Fabric & Home Care segment increased 0.7 points. Volume growth was driven by double digit increases in North America and Latin America, a high single digit increase in Europe and a mid-single digit increase in Asia Pacific, partially offset by a double digit volume decrease in Greater China, primarily due to the economic slow down related to the COVID-19 pandemic. The volume increases in North America and Europe were partially due to increased consumption and pantry loading related to the COVID-19 pandemic.

- Fabric Care volume increased high single digits. Increased volume was driven by mid-teens growth in North America, double digit growth in Latin America, high single digits growth in Europe and mid-single digits growth in Asia Pacific, all due to product innovation and the aforementioned consumption increase in certain markets related to the COVID-19 pandemic. This was partially offset by a double digits decline in Greater China due to the COVID-19 related economic slowdown. Global market share of the Fabric Care category increased more than half a point.
- Home Care volume increased double digits. Volume increased in all regions led by a mid-teens growth in Europe, high single digits growth in North America and mid-single digits growth in Asia Pacific and Latin America, all due to product innovation and the aforementioned consumption increase in certain markets related to the COVID-19 pandemic. Excluding the impact of minor divestitures, volume in Latin America grew high single digits. Global market share of the Home Care category increased nearly a point.

Net earnings increased 13% to $957 million due to the increase in net sales and a 70 basis-points increase in net earnings margin. The net earnings margin increase was primarily due to an increase in gross margin, partially offset by a higher effective tax rate. The gross margin increase was driven by manufacturing cost savings and a reduction in commodity costs, partially offset by unfavorable product mix due to the disproportionate growth of premium innovation that has not yet been cost optimized. The higher effective tax rate was due to the disproportionate growth in North America. SG&A as a percentage of net sales increased marginally due primarily to higher marketing spending, partially offset by the positive scale benefits of the net sales increase.

Nine months ended March 31, 2020 compared with nine months ended March 31, 2019

Fabric & Home Care fiscal year to date net sales increased 6% to $17.4 billion on a 6% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 1%. Positive mix impacts increased net sales by 1% due to the disproportionate growth of premium products, including unit dose laundry and fabric enhancers. Pricing had no impact to net sales for the period. Organic sales increased 7%. Global market share of the Fabric & Home Care segment increased 0.7 points. The volume growth was driven by a double digit increase in Latin America, a high single digits increase in North America, along with mid-single digit increases in Europe and Asia Pacific and a low single digit increase in Greater China.

- Fabric Care volume increased mid-single digits. The volume increase was led by double digits growth in Latin America and high single digits growth in North America, along with mid-single digits growth in Europe and low single digits growth in Asia Pacific and Greater China. Volume growth was driven by product innovation and to a lesser extent the aforementioned consumption increase due to the COVID-19 pandemic. Global market share of the Fabric Care category increased more than half a point.

- Home Care volume increased mid-single digits. Volume increased in all regions led by double digits growth in Europe, mid-single digits growth in Asia Pacific and North America and low single digits growth in IMEA and Latin America due to product innovation and to a lesser extent the aforementioned consumption increase due to the COVID-19 pandemic. Excluding the impact of minor divestitures, volume increased mid-single digits in Latin America. Global market share of the Home Care category increased more than a point.

Net earnings increased 15% to $3.0 billion due to the increase in net sales and a 130 basis-points increase in net earnings margin. The net earnings margin increase was primarily due to an increase in gross margin, along with a marginal reduction in SG&A as a percentage of net sales. The gross margin increase was driven primarily by manufacturing cost savings and reduction in commodity costs. SG&A expense as a percentage of net sales decreased due to the positive scale benefits of the net sales increase, partially offset by an increase in marketing spending.

Baby, Feminine & Family Care

Three months ended March 31, 2020 compared with three months ended March 31, 2019

Baby, Feminine & Family Care net sales increased 6% to $4.6 billion during the third fiscal quarter on a 7% increase in unit volume. Unfavorable foreign exchange impacts decreased net sales by 1%. Pricing and mix had no impact to net sales. Organic sales increased 7%. Global market share of the Baby, Feminine & Family Care segment decreased 0.3 points. Volume increased double digits in North America and high single digits in Europe, both driven primarily by increased consumption and pantry loading due to the COVID-19 pandemic, and increased mid-single digits in Asia Pacific. This was partially offset by a double digit volume decrease in Greater China due to the economic slowdown related to the COVID-19 pandemic, a high single digit decrease in Latin America and a mid-single digits decrease in IMEA.

- Volume in Baby Care was unchanged. Volume decreased double digits in Greater China (primarily due to the COVID-19 related economic slowdown) and in Latin America (due to market contraction and increased pricing) and decreased high single digits in IMEA (due to the COVID-19 related economic slowdown and competitive activity). This was offset by mid-single digits growth in North America (due to the aforementioned consumption increase and pantry loading related to the COVID-19 pandemic, market growth and increased marketing spending) and Asia Pacific (due to innovation) and low single digit growth in Europe (due to the pantry loading related to the COVID-19 pandemic). Global market share of the Baby Care category decreased more than a point.
- Volume in Feminine Care increased high single digits. Excluding the impacts of a minor acquisition, organic volume increased mid-single digits. Volume increased over 20% in Asia Pacific due to a new launch in the adult incontinence category in Japan. Volume increased mid-teens in Europe and mid-single digits in North America due to the aforementioned pantry loading related to the COVID-19 pandemic, product innovation, and increased marketing spending. This was partially offset by a double digit decline in Greater China due to the COVID-19 related economic slowdown. Global market share of the Feminine Care category increased more than half a point.
- Volume in Family Care, which is predominantly a North American business, increased mid-teens driven by the COVID-19 related consumption increase and pantry loading and increased marketing spending. North America share of the Family Care category was unchanged.

Net earnings increased 32% to $859 million due to the increase in net sales and a 370 basis-point increase in net earnings margin. Net earnings margin increased primarily due to an increase in gross margin, partially offset by a marginal increase in SG&A as a percentage of net sales. Gross margin increased due to manufacturing cost savings and a reduction in commodity costs, partially offset by negative mix impacts due to the disproportionate growth of large sizes and product forms with lower than segment-average margins. SG&A as a percentage of net sales increased marginally due to an increase in marketing spending as a percentage of sales, partially offset by reduced overhead costs, driven by productivity savings and the positive scale benefits of the net sales increase.

Nine months ended March 31, 2020 compared with nine months ended March 31, 2019

Baby, Feminine & Family Care fiscal year to date net sales increased 3% to $13.7 billion on a 3% increase in unit volume. Unfavorable foreign exchange impacts reduced net sales by 1%. Higher pricing increased net sales by 1%. Mix did not have a net impact on net sales. Organic sales increased 4%. Global market share of the Baby, Feminine & Family Care segment decreased 0.4 points. Volume growth was driven by mid-single digit increases in North America and Asia Pacific and a low single digit increase in Europe, partially offset by mid-single digit decline in Latin America and low single digit decline in Greater China and IMEA.

- Volume in Baby Care decreased low single digits. Volume decreased high single digits in Latin America, mid-single digits in Greater China and IMEA, and low single digits in Europe due to competitive activity, devaluation related price increases, category contraction in certain markets and to a lesser extent the aforementioned impacts of the COVID-19 pandemic. This was partially offset by low single digit volume increases in North America and Asia Pacific due to product innovation, market growth and to a lesser extent the increased consumption and pantry loading due to the COVID-19 pandemic. Global market share of the Baby Care category decreased more than a point.

- Volume in Feminine Care increased mid-single digits. The volume increase was led by a double digit increase in Asia Pacific due to new launch in the adult incontinence category in Japan, a high single digits increase in Europe and mid-single digit increases in North America and Latin America, due to product innovation, increased marketing spending, adult incontinence category growth and to a lesser extent pantry loading due to the COVID-19 pandemic. Excluding the impact of a minor acquisition, North America volume increased low single digits. Global market share of the Feminine Care category increased nearly half a point.
- Volume in Family Care, which is predominantly a North American business, increased high single digits driven by the aforementioned COVID-19 related consumption increase and pantry loading, product innovation, market growth and increased marketing spending. North America share of the Family Care category was unchanged.

Net earnings increased 24% to $2.6 billion due to the increase in net sales and a 320 basis-point increase in net earnings margin. Net earnings margin increased due to an increase in gross margin, partially offset by a marginal increase in SG&A as a percentage of net sales. Gross margin increased due to manufacturing cost savings projects, a reduction in commodity costs and increased selling prices, partially offset by negative mix impacts due to the disproportionate growth of large sizes and product forms with lower than segment-average margins. SG&A as a percentage of net sales increased marginally due to an increase in marketing spending as a percentage of sales, partially offset by reduced overhead costs, driven by productivity savings and the positive scale benefits of the net sales increase.

Corporate

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

Corporate net sales decreased $7 million to $116 million for the quarter ended March 31, 2020 and decreased $62 million to $306 million for the fiscal year to date. Corporate net earnings improved by $20 million in the quarter primarily due to discrete tax benefits during the quarter that are not allocated to the segment, partially offset by higher restructuring charges, all of which have been described above. Fiscal year to date Corporate net earnings increased $26 million as tax benefits and lower interest expense in the current period were largely offset by the base period gain on the dissolution of the PGT Healthcare partnership.

Restructuring Program to deliver Productivity and Cost Savings

In 2012, the Company initiated a productivity and cost savings plan to reduce costs and better leverage scale in the areas of supply chain, research and development, marketing and overheads. The plan was designed to accelerate cost reductions by streamlining management decision making, manufacturing and other work processes to fund the Company's growth strategy. In 2017, the Company communicated specific elements of an additional multi-year productivity and cost savings program.

The current productivity and cost savings plan is expected to further reduce costs in the areas of supply chain, certain marketing activities and overhead expenses. As part of this plan, the Company incurred $1.8 billion in total before-tax restructuring costs across fiscal 2018 and fiscal 2019, with an additional amount of $0.5 to $0.6 billion expected in fiscal 2020. This program is expected to result in additional targeted enrollment reductions, along with further optimization of the supply chain and other manufacturing processes. Consistent with our historical policies for ongoing restructuring-type activities, the resulting charges are funded by and included within Corporate for segment reporting.

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

Refer to Note 9 in the Notes to the Consolidated Financial Statements for more details on the restructuring program.

LIQUIDITY & CAPITAL RESOURCES

Operating Activities

We generated $12.6 billion of cash from operating activities fiscal year to date, an increase of $1.5 billion versus the prior year. Net earnings, adjusted for non-cash items (depreciation and amortization, share-based compensation expense, deferred income taxes and loss on sale of assets), generated $12.3 billion of operating cash flow. Working capital and other impacts generated $333 million of cash in the period. Accounts receivable decreased, generating $135 million of cash, primarily due to the timing of the quarter-end (which fell on a Tuesday versus Sunday in the prior year end, resulting in additional collection days in the current year). Inventory increased, consuming $533 million of cash primarily to support business growth, including increased manufacturing to help build safety stocks to help manage through the COVID-19 pandemic and product initiatives. Accounts payable, accrued and other liabilities increased, generating $738 million of cash. Taxes payable accounted for approximately $400 million of this amount, primarily due to an approximate $500 million increase related to the integration of Merck, which had no impact on operating cash flows, as there was an equal and offsetting release of a deferred tax liability that was initially created on the acquisition of Merck. Extended payment terms to suppliers generated approximately $475 million of cash and all other accruals used approximately $140 million. All other operating assets and liabilities used $58 million of cash.

Investing Activities

Investing activities generated $3.7 billion of cash fiscal year to date. Capital expenditures were $2.4 billion, or 4.5% of net sales. We received $6.2 billion of cash from sales and maturities of investment securities.

Financing Activities

Our financing activities used $5.0 billion of net cash fiscal year to date. We used $7.4 billion for treasury stock purchases, $5.8 billion for dividends and $1.5 billion for debt repayments. Cash from the issuance of bonds and commercial paper generated $5.0 billion and $3.0 billion of cash, respectively, and the exercise of stock options and other impacts generated $1.8 billion of cash.

As of March 31, 2020, our current liabilities exceeded current assets by $5.8 billion. We have short- and long-term debt to meet our financing needs. We anticipate being able to support our short-term liquidity and operating needs largely through cash generated from operations. We have strong short- and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in commercial paper and bond markets. In addition, we have agreements with a diverse group of financial institutions that, if needed, should provide sufficient credit funding to meet short-term financing requirements.

RECONCILIATION OF MEASURES NOT DEFINED BY U.S. GAAP

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

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

Adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending and excluding payments for the transitional tax resulting from the comprehensive U.S. legislation commonly referred to as the Tax Cuts and Jobs Act enacted in December 2017 (the U.S. Tax Act). Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investments.

Adjusted free cash flow productivity: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings. Management views adjusted free cash flow productivity as a useful measure to help investors understand P&G’s ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, allocating financial resources and for budget planning purposes. This measure is also used in assessing the achievement of management goals for at-risk compensation. The Company's long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

Core EPS: Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share adjusted as indicated. Management views this non-GAAP measure as a useful supplemental measure of Company performance over time. This measure is also used when evaluating senior management in determining their at-risk compensation.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

Incremental Restructuring: The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. In 2012, the Company began a $10 billion strategic productivity and cost savings initiative that included incremental restructuring activities. In 2017, we communicated details of an additional multi-year productivity and cost savings plan. This results in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.

Gain on Dissolution of PGT Healthcare Partnership: The Company finalized the dissolution of our PGT Healthcare partnership, a venture between the Company and Teva Pharmaceuticals Industries, Ltd. (Teva) in the OTC consumer healthcare business, in the quarter ended September 30, 2018. The transaction was accounted for as a sale of the Teva portion of the PGT business and resulted in the Company recognizing an after-tax gain on the dissolution of $353 million.

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

Organic sales growth:

Three Months Ended March 31, 2020	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other [(1)]	Organic Sales Growth
Beauty	(1)%	2%	—%	1%
Grooming	(3)%	3%	(1)%	(1)%
Health Care	7%	2%	—%	9%

Fabric & Home Care	8%	1%	1%	10%
Baby, Feminine & Family Care	6%	1%	—%	7%
Total Company	**5%**	**2%**	**(1)%**	**6%**

(1) Includes rounding impacts necessary to reconcile net sales to organic sales.

Nine Months Ended March 31, 2020	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other (1)	Organic Sales Growth
Beauty	5%	2%	(1)%	6%
Grooming	(1)%	2%	—%	1%
Health Care	13%	2%	(7)%	8%
Fabric & Home Care	6%	1%	—%	7%
Baby, Feminine & Family Care	3%	1%	—%	4%
Total Company	**5%**	**2%**	**(1)%**	**6%**

(1) Includes rounding impacts necessary to reconcile net sales to organic sales.

Adjusted free cash flow (dollar amounts in millions):

Nine Months Ended March 31, 2020			
Operating Cash Flow	**Capital Spending**	**U.S. Tax Act Payments**	**Adjusted Free Cash Flow**
$12,597	**$(2,415)**	**$215**	**$10,397**

Adjusted free cash flow productivity (dollar amounts in millions):

Nine Months Ended March 31, 2020		
Adjusted Free Cash Flow	**Net Earnings**	**Adjusted Free Cash Flow Productivity**
$10,397	**$10,317**	**101%**

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

Three Months Ended March 31, 2020	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING [2]	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 8,716	$ (179)	$ —	$ 8,537
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	5,045	26	—	5,071
OPERATING INCOME	3,453	153	—	3,606
INCOME TAX	541	15	—	556
NET EARNINGS ATTRIBUTABLE TO P&G	2,917	141	—	3,058
				Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 1.12	$ 0.05	$ —	$ 1.17

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

[2] While total restructuring costs exceeded the historical ongoing level, total restructuring costs included within SG&A for this period were below the historical ongoing level. Accordingly, the non-GAAP adjustment for the SG&A line item adds costs to the comparable GAAP number.

CHANGE VERSUS YEAR AGO	
CORE NET EARNINGS ATTRIBUTABLE TO P&G	10 %
CORE EPS	10 %

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

Three Months Ended March 31, 2019	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING [2]	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 8,427	$ (65)	$ —	$ 8,362
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	4,806	18	(1)	4,823
OPERATING INCOME	3,229	47	1	3,277
INCOME TAX	502	7	—	509
NET EARNINGS ATTRIBUTABLE TO P&G	2,745	44	—	2,789
				Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 1.04	$ 0.02	$ —	$ 1.06

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

[2] While total restructuring costs exceeded the historical ongoing level, total restructuring costs included within SG&A for this period were below the historical ongoing level. Accordingly, the non-GAAP adjustment for the SG&A line item adds costs to the comparable GAAP number.

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

Nine Months Ended March 31, 2020

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING [2]	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	26,308	$ (273)	$ —	$ 26,035
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	14,719	73	—	14,792
OPERATING INCOME	12,225	200	—	12,425
INCOME TAX	2,056	20	1	2,077
NET EARNINGS ATTRIBUTABLE TO P&G	10,227	189	—	10,416
				Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 3.89	$ 0.07	$ —	$ 3.96

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

(2) While total restructuring costs exceeded the historical ongoing level, total restructuring costs included within SG&A for this period were below the historical ongoing level. Accordingly, the non-GAAP adjustment for the SG&A line item adds costs to the comparable GAAP number.

CHANGE VERSUS YEAR AGO	
CORE NET EARNINGS ATTRIBUTABLE TO P&G	16 %
CORE EPS	16 %

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

Nine Months Ended March 31, 2019

	AS REPORTED (GAAP)	INCREMENTAL RESTRUCTURING [2]	GAIN ON DISSOLUTION OF PGT PARTNERSHIP	ROUNDING	NON-GAAP (CORE)
COST OF PRODUCTS SOLD	$ 25,830	$ (234)	$ —	$ —	$ 25,596
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	14,081	28	—	(1)	14,108
OPERATING INCOME	10,679	206	—	1	10,886
INCOME TAX	1,931	30	(2)	(1)	1,958
NET EARNINGS ATTRIBUTABLE TO P&G	9,138	190	(353)	1	8,976
					Core EPS
DILUTED NET EARNINGS PER COMMON SHARE [1]	$ 3.48	$ 0.07	$ (0.13)	$ —	$ 3.42

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

(2) While total restructuring costs exceeded the historical ongoing level, total restructuring costs included within SG&A for this period were below the historical ongoing level. Accordingly, the non-GAAP adjustment for the SG&A line item adds costs to the comparable GAAP number.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company's exposure to market risk since June 30, 2019. Additional information can be found in Note 7 - Risk Management Activities and Fair Value Measurements of the Consolidated Financial Statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chairman of the Board, President and Chief Executive Officer, David S. Taylor, and the Company's Vice Chairman, Chief Operating Officer and Chief Financial Officer, Jon R. Moeller, performed an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act")) as of the end of the period covered by this report. Messrs. Taylor and Moeller have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including Messrs. Taylor and Moeller, to allow their timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the Company's fiscal quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

The following discussion of "risk factors" identifies significant factors that may adversely affect our business, operations, financial position or future financial performance. This information should be read in conjunction with the MD&A and the Consolidated Financial Statements and related Notes incorporated in this report. The following discussion of risks is not all inclusive, but is designed to highlight what we believe are important factors to consider when evaluating our expectations. These and other factors could cause our future results to differ from those in the forward-looking statements and from historical trends, perhaps materially.

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

We are a global company, with operations in approximately 70 countries and products sold in more than 180 countries and territories around the world. We hold assets, incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar, and our operations outside the U.S. generate more than fifty percent of our net revenue. Fluctuations in exchange rates for foreign currencies may reduce the U.S. dollar value of revenues, profits and cash flows we receive from non-U.S. markets, increase our supply costs (as measured in U.S. dollars) in those markets, negatively impact our competitiveness in those markets or otherwise adversely impact our business results or financial condition. Moreover, discriminatory or conflicting fiscal or trade policies in different countries, including changes to tariffs and existing trade policies and agreements, could adversely affect our results. See also the Results of Operations and Cash Flow, Financial Condition and Liquidity sections of the MD&A, the Consolidated Financial Statements and related Notes.

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

Additionally, our business, operations or employees may be adversely affected by political volatility, labor market disruptions or other crises or vulnerabilities in individual countries or regions, including political instability or upheaval, broad economic instability or sovereign risk related to a default by or deterioration in the credit worthiness of local governments, particularly in emerging markets.

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

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

Disruptions in credit markets or changes to our credit ratings may reduce our access to credit.

A disruption in the credit markets or a downgrade of our current credit rating could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, which could adversely affect our liquidity and capital resources or significantly increase our cost of capital.

Disruption in our global supply chain may negatively impact our business results.

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

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

Our costs are subject to fluctuations, particularly due to changes in the prices of commodities and raw materials and the costs of labor, transportation, energy, pension and healthcare. Therefore, our business results are dependent, in part, on our continued ability to manage these fluctuations through pricing actions, cost saving projects and sourcing decisions, while maintaining and improving margins and market share. Failure to manage these fluctuations could adversely impact our financial results.

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

We are a consumer products company that relies on continued global demand for our brands and products. Achieving our business results depends, in part, on successfully developing, introducing and marketing new products and on making significant improvements to our equipment and manufacturing processes. The success of such innovation depends on our ability to correctly anticipate customer and consumer acceptance and trends, to obtain, maintain and enforce necessary intellectual property protections and to avoid infringing upon the intellectual property rights of others. We must also successfully respond to technological advances made by, and intellectual property rights granted to, competitors. Failure to continually innovate, improve and respond to competitive moves and changing consumer habits could compromise our competitive position and adversely impact our results.

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

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

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

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

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

The Company's reputation, and the reputation of our brands, form the foundation of our relationships with key stakeholders and other constituencies, including consumers, customers and suppliers. The quality and safety of our products are critical to our business. Many of our brands have worldwide recognition and our financial success is directly dependent on the success of our brands. The success of our brands can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Our results could also be negatively impacted if one of our brands suffers substantial harm to its reputation due to a significant product recall, product-related litigation, defects or impurities in our products, product misuse, changing consumer perceptions of certain ingredients or environmental impacts, allegations of product tampering or the distribution and sale of counterfeit products. Additionally, negative or inaccurate postings or comments on social media or networking websites about the Company or one of its brands could generate adverse publicity that could damage the reputation of our brands or the Company. If we are unable to effectively manage real or perceived issues, including concerns about safety, quality, ingredients, efficacy, environmental impacts or similar matters, sentiments toward the Company or our products could be negatively impacted, and our financial results could suffer. Our Company also devotes time and resources to citizenship efforts that are consistent with our corporate values and are designed to strengthen our business and protect and preserve our reputation, including programs driving ethics and corporate responsibility, strong communities, diversity and inclusion, gender equality and environmental sustainability. If these programs are not executed as planned or suffer negative publicity, the Company's reputation and financial results could be adversely impacted.

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

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

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

As part of the Company's regular review of potential risks, we maintain an information and operational technology ("IT/OT") risk management program that is primarily supervised by information technology management and reviewed by internal cross-functional stakeholders. As part of this program, analyses of emerging cybersecurity threats as well as the Company's plans and strategies to address them are regularly prepared and presented to senior management, the Audit Committee and the Board of Directors. Despite our policies, procedures and programs, including this IT/OT risk management program, we may not be effective in identifying and mitigating every risk to which we are exposed.

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

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

Numerous and evolving information security threats, including advanced persistent cybersecurity threats, pose a risk to the security of our services, systems, networks and supply chain, as well as to the confidentiality, availability and integrity of our data and of our critical business operations. As cybersecurity threats rapidly evolve in sophistication and become more prevalent across the industry globally, the Company is continually increasing its attention to these threats. We assess potential threats and vulnerabilities and make investments seeking to address them, including ongoing monitoring and updating of networks and systems, increasing specialized information security skills, deploying employee security training, and updating security policies for the Company and its third-party providers. However, because the techniques, tools and tactics used in cyber-attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack.

Our IT/OT databases and systems and our third-party providers' databases and systems have been, and will likely continue to be, subject to advanced computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking and other cyber-attacks. Such attacks may originate from outside parties, hackers, criminal organizations or other threat actors, including nation states. In addition, insider actors-malicious or otherwise-could cause technical disruptions and/or confidential data leakage. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts or the security efforts of our third-party providers will prevent material breaches, operational incidents or other breakdowns to our or our third-party providers' IT/OT databases or systems.

Periodically, we also need to upgrade our IT/OT systems or adopt new technologies. If such a new system or technology does not function properly or otherwise exposes us to increased cybersecurity breaches and failures, it could affect our ability to order materials, make and ship orders, and process payments in addition to other operational and information integrity and loss issues. Further, if the IT/OT systems, networks or service providers we rely upon fail to function properly or cause operational outages or aberrations, or if we or one of our third-party providers suffer significant unavailability of key operations, or inadvertent disclosure of, lack of integrity of, or loss of our sensitive business or stakeholder information, due to any number of causes, ranging from catastrophic events or power outages to improper data handling, security incidents or employee error or malfeasance, and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive, operational, financial and business harm as well as litigation and regulatory action. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results.

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

Changes in the political conditions in markets in which we manufacture, sell or distribute our products may be difficult to predict and may adversely affect our business and financial results. For example, the United Kingdom’s withdrawal from the European Union ("Brexit") has created uncertainty regarding, among other things, the U.K.'s future legal and economic framework and how the U.K. will interact with other countries, including with respect to the free movement of goods, services, capital and people. In addition, results of elections, referendums or other political processes in certain markets in which our products are manufactured, sold or distributed could create uncertainty regarding how existing governmental policies, laws and regulations may change, including with respect to sanctions, taxes, the movement of goods, services, capital and people between countries and other matters. The potential implications of such uncertainty, which include, among others, exchange rate fluctuations, tariffs, trade barriers and market contraction, could adversely affect the Company’s business and financial results.

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

Our business is subject to a wide variety of laws and regulations across the countries in which we do business, including those laws and regulations involving intellectual property, product liability, product composition or formulation, packaging content or disposability, marketing, antitrust, data protection, environmental (including climate, water, waste), employment, anti-bribery, anti-corruption, tax, accounting and financial reporting or other matters. Rapidly changing laws, regulations, policies and related interpretations, as well as increased enforcement actions, create challenges for the Company, including our compliance and ethics programs, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely impact our financial results. If we are unable to continue to meet these challenges and comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results. Failure to successfully manage regulatory and legal matters and resolve such matters without significant liability or damage to our reputation may materially adversely impact our results of operations and financial position. Furthermore, if pending legal or regulatory matters result in fines or costs in excess of the amounts accrued to date, that may also materially impact our results of operations and financial position.

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

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. Changes in the various tax laws can and do occur. For example, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “U.S. Tax Act”). The changes included in the U.S. Tax Act are broad and complex. The ongoing impacts of the U.S. Tax Act may differ from the estimates provided elsewhere in the reports we file with the Securities and Exchange Commission, possibly materially, due to, among other things, changes in interpretations, any regulatory guidance or legislative action to address questions that arise or any updates or changes to estimates the Company has used to calculate the impacts.

Additionally, longstanding international tax norms that determine each country’s jurisdiction to tax cross-border international trade are subject to potential evolution. An outgrowth of the original Base Erosion and Profit Shifting (“BEPS") project is a new project undertaken by more than 130 member countries of the expanded OECD Inclusive Framework focused on "Addressing the Challenges of the Digitalization of the Economy." The breadth of this project extends beyond pure digital businesses and is likely to impact all multinational businesses by potentially redefining jurisdictional taxation rights. As this and other tax laws and related regulations change or evolve, our financial results could be materially impacted. Given the unpredictability of these possible changes, it is very difficult to assess whether the overall effect of such potential tax changes would be cumulatively positive or negative for our earnings and cash flow, but such changes could adversely impact our financial results.

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

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

As a company that manages a portfolio of consumer brands, our ongoing business model includes a certain level of acquisition, joint venture and divestiture activities. We must be able to successfully manage the impacts of these activities, while at the same time delivering against our business objectives. Specifically, our financial results could be adversely impacted by the dilutive impacts from the loss of earnings associated with divested brands or dissolution of joint ventures. Our financial results have been, and in the future could also be, impacted by acquisitions or joint venture activities, such as the integration of Merck KGaA's Consumer Health business acquired in fiscal 2019, if: 1) changes in the cash flows or other market-based assumptions cause the value of acquired assets to fall below book value, or 2) we are not able to deliver the expected cost and growth synergies associated with such acquisitions and joint ventures, including as a result of integration and collaboration challenges, which could also have an impact on goodwill and intangible assets.

Our business results depend on our ability to successfully manage productivity improvements and ongoing organizational change.

Our financial projections assume certain ongoing productivity improvements and cost savings, including staffing adjustments as well as employee departures. Failure to deliver these planned productivity improvements and cost savings, while continuing to invest in business growth, could adversely impact our financial results. Additionally, successfully executing organizational change, including the move to a new organizational structure in fiscal 2020, management transitions at leadership levels of the Company and motivation and retention of key employees, is critical to our business success. Factors that may affect our ability to attract and retain sufficient numbers of qualified employees include employee morale, our reputation, competition from other employers and availability of qualified personnel. Our success is dependent on identifying, developing and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key growth markets where the depth of skilled or experienced employees may be limited and competition for these resources is intense, as well as continuing the development and execution of robust leadership succession plans.

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

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

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

Despite our efforts to manage and remedy these impacts to the Company, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of any such outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [3]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Share Repurchase Program
1/01/2020 - 1/31/2020	4,009,498	$124.70	4,009,498	[3]
2/01/2020 - 2/29/2020	1,995,885	$125.26	1,995,885	[3]
3/01/2020 - 3/31/2020	1,307,645	$115.21	1,307,645	[3]
Total	**7,313,028**	**$123.16**	**7,313,028**	

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

(2) Average price paid per share for open market transactions is calculated on a settlement basis and excludes commission.

(3) On April 17, 2020, the Company stated that in fiscal year 2020 the Company expects to reduce outstanding shares through direct share repurchases at a value of $7 to $8 billion, notwithstanding any purchases under the Company's compensation and benefit plans. Purchases may be made in the open market and/or private transactions and purchases may be increased, decreased or discontinued at any time without prior notice. The share repurchases are authorized pursuant to a resolution issued by the Company's Board of Directors and are expected to be financed by a combination of operating cash flows and issuance of long-term and short-term debt.

Item 6. Exhibits

3-1	Amended Articles of Incorporation (as amended by shareholders at the annual meeting on October 11, 2011 and consolidated by the Board of Directors on April 8, 2016) (Incorporated by reference to Exhibit (3-1) of the Company's Form 10-K for the year ended June 30, 2016).
3-2	Regulations (as approved by the Board of Directors on April 8, 2016, pursuant to authority granted by shareholders at the annual meeting on October 13, 2009) (Incorporated by reference to Exhibit (3-2) of the Company's Form 10-K for the year ended June 30, 2016).
4-1	Indenture, dated as of September 3, 2009, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit (4-1) of the Company Annual Report on Form 10-K for the year ended June 30, 2015).
10-1	Company's Form of Separation Agreement & Release* +
10-2	The Procter & Gamble Company Executive Deferred Compensation Plan* +
10-3	The Procter & Gamble Performance Stock Program Summary* +
31.1	Rule 13a-14(a)/15d-14(a) Certification – Chief Executive Officer +
31.2	Rule 13a-14(a)/15d-14(a) Certification – Chief Financial Officer +
32.1	Section 1350 Certifications – Chief Executive Officer +
32.2	Section 1350 Certifications – Chief Financial Officer +
101.SCH [1]	Inline XBRL Taxonomy Extension Schema Document
101.CAL [1]	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF [1]	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB [1]	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE [1]	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Compensatory plan or arrangement

+ Filed herewith

[1] Pursuant to Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 or 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PROCTER & GAMBLE COMPANY

April 20, 2020	/s/ VALARIE L. SHEPPARD
Date	(Valarie L. Sheppard) Controller and Treasurer and Executive Vice President - Company Transition Leader (Principal Accounting Officer)

EXHIBIT INDEX

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Section 2: EX-10.1 (COMPANY'S FORM OF SEPARATION AGREEMENT AND RELEASE)

Exhibit 10-1

Company’s Form of Separation Agreement & Release

SEPARATION AGREEMENT AND RELEASE

To: «Employee_Name»
Date: «Actual_Offer_Date»

«Company» ("P&G") is willing to provide you with certain assistance in connection with your employment separation from the Company. The following describes the terms under which you are separating from employment. Your receipt of the benefits described below is conditioned upon your accepting and abiding by the terms of this Agreement.

Last Day of Employment:	Your last day of employment will be **«Exit_Date»,** referred to as your "Last Day of Employment." You understand and agree that if P&G determines that you engaged in misconduct during your employment, or if you fail to perform your work and responsibilities in a satisfactory manner up to and including your Last Day of Employment, P&G may terminate your employment immediately and will not provide, nor be obligated to provide, the payment (s) and other benefits described in this Agreement. Otherwise, unless noted below, your pay and benefits will cease as of your Last Day of Employment.
Separation Payment:	As soon as administratively practical after your Last Day of Employment, P&G will provide you with a Separation Payment of **«Total_Amount»**, less legally required withholdings and deductions. In no event will payment be made before expiration of the seven-day revocation period discussed below or later than the March 15th of the year following the year which includes your last day of employment. Amounts you owe to P&G as of your Last Day of Employment, including, but not limited to, wage and/or benefit overpayments and unpaid loans, will also be deducted from the Separation Payment.
Payment for Unvested PST:	If you are not fully-vested in the Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan ("PST") as of your Last Day of Employment, as soon as administratively practical after your Last Day of Employment, but no later than the March 15^{th} of the year following the year which includes your Last Day of Employment, you will receive a lump sum payment in an amount substantially equivalent to the non-vested credits in your account in the PST.
STAR Awards:	As of your Last Day of Employment, if you worked at least 28 days (4 calendar weeks) during that fiscal year, you will receive a pro-rated STAR award for that fiscal year. Your STAR award will be pro-rated by dividing the number of calendar days during the fiscal year from July 1 through your Last Day of Employment by 365. Your STAR award will be paid in cash in the September (but no later than September 15th) immediately following the end of the fiscal year in which you terminate.

Equity Awards	Your separation will be treated as a Special Separation for purposes of any outstanding equity awards granted under the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Compensation Plan, the Procter & Gamble 1992 Stock Plan, or the Gillette Company 2004 Long-Term Incentive Plan and, as a result, you will retain the awards subject to the original terms and conditions of the awards. You will also retain awards granted under the Procter & Gamble 2014 Stock and Incentive Compensation Plan and the Procter & Gamble 2019 Stock and Incentive Compensation Plan subject to the terms and conditions of those Awards. This agreement does not alter the rights and obligations that you may have under the Procter & Gamble 2019 Stock and Incentive Compensation Plan, the Procter & Gamble 2014 Stock and Incentive Compensation Plan, the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Compensation Plan, the Procter & Gamble 1992 Stock Plan, and the Gillette Company 2004 Long-Term Incentive Plan.
Current Medical, Dental, and Life Insurance Benefits:	If you are enrolled in P&G's active health (including medical, prescription drug, and EAP coverage), active dental, and company-paid life insurance coverage, that coverage will continue under the same terms until **«Benefits_End_Date»**. **Note:** Any life insurance coverage other than company-paid life insurance coverage will not continue during this time. When your extended coverage ends, you may be entitled to continue your Medical and Dental insurance coverage under COBRA. If you are entitled to COBRA continuation coverage, you will receive a notice of your right to elect COBRA.

Retiree Medical and Dental Benefits:	If you were eligible for P&G retiree healthcare coverage on your Last Day of Employment, you will be eligible to enroll in P&G's retiree medical and dental insurance coverage. You are eligible for P&G retiree healthcare coverage if you satisfy the regular retiree eligibility rules (i.e., you are a Regular Retiree) as of your Last Day of Employment. Under the terms of this Agreement, you also are eligible for P&G retiree healthcare coverage as a Special Retiree by satisfying the Rule of 70 as of your Last Day of Employment. You satisfy the Rule of 70 when your full years of age plus your full years of service equal 70[1] If you are eligible for P&G's retiree healthcare coverage as either a Regular Retiree or a Special Retiree as of your Last Day of Employment, you should contact P&G Employee Care before your extension of coverage ends to request retiree healthcare enrollment information. For details regarding the terms and conditions of your retiree health coverage, please refer to and review the summary plan descriptions, available at PGOne → Life and Career. **Important Note:** If you become employed by a direct competitor of P&G (as determined by P&G's Chief Human Resources Officer) in any capacity, you will not be eligible for coverage under P&G's retiree healthcare coverage as long as you remain employed by such competitor. If you have questions, please contact the P&G Employee Care at [phone number].
Outplacement Services:	P&G's outplacement supplier, Right Management Consultants, will provide services to assist you in managing your transition to a new future, based on your interest. Services include pre-decision counseling, career transition programs, and job development opportunities. Right Management Consultants will also assist you in preparing for your job search, including résumé preparation, cover letters, other written materials and interview and networking training. After you accept this Agreement, you may begin utilizing outplacement services on a limited basis prior to your Last Day of Employment, consistent with the needs of the business and your responsibilities to complete and/or transition your work. Note that you must begin utilizing outplacement services within 45 days of your Last Day of Employment to be eligible for this benefit
No Consideration Without Executing this Agreement:	You affirm that you understand and agree that you would not receive the separation payment and/or benefits specified in this Agreement without executing this Agreement and fulfilling the promises contained in it. Except as provided in this Agreement or under the terms and conditions of an applicable benefit plan or policy sponsored by P&G, you shall not be due any payments or benefits from P&G in connection with the termination of your employment.

[1] Special rules apply to Gillette Heritage Employees with regard to retiree medical eligibility and the retiree medical cost sharing under the retiree medical plan. If you are a Gillette Heritage Employee, you will receive a separate handout on your retiree medical eligibility.

Continued Employment Through Your Last Day of Employment:	You agree to perform your work and responsibilities as an employee in a satisfactory manner up to and including your Last Day of Employment, including compliance with all provisions of this "Separation Agreement and Release." If P&G determines that you have engaged in serious misconduct during your employment, you understand and agree that P&G may terminate your employment immediately and will not provide, nor will it be obligated to provide, you with the Separation Payment, medical benefits, outplacement and other benefits described above. If you have already received any such pay or benefits, you agree to repay them to P&G upon demand.
Nonadmission of Wrongdoing:	You affirm that you understand and agree that neither this Agreement nor the furnishing of the consideration for this Agreement, including the Separation Payment, shall be deemed or construed at any time for any purpose as an admission by P&G of wrongdoing or evidence of any liability or unlawful conduct of any kind.
Release of Claims – Including Age Discrimination and Employment Claims:	In consideration of the Separation Payment and other benefits provided above to which you would not have been entitled under any existing P&G Policy, you release P&G from any and all claims you have against P&G. The term "P&G" includes «Company» and any of its present, former and future owners, parents, affiliates and subsidiaries, and its and their directors, officers, shareholders, employees, agents, servants, representatives, predecessors, successors and assigns and their employee benefit plans and programs and their administrators and fiduciaries. This release applies to claims about which you now know or may later discover, and includes but is not limited to: (1) claims arising under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq.; (2) claims arising out of or relating in any way to your employment with P&G or the conclusion of that employment; (3) claims arising under any federal, state and local employment discrimination laws, regulations or ordinances or other orders that relate to the employment relationship and/or employee benefits; and (4) any other federal, state or local law, rule, regulation or ordinance, public policy, contract, tort or common law. This release does not apply to claims that may arise after the date you accept this Agreement or that may not be released under applicable law. You are not waiving any rights you may have to: (a) your own vested accrued employee benefits under the P&G health, welfare, or retirement benefit plans as of the Last Day of Employment; (b) benefits and/or the right to seek benefits under applicable workers' compensation and/or unemployment compensation statutes; (c) pursue claims which by law cannot be waived by signing this Agreement; (d) enforce this Agreement; and/or (e) challenge the validity of this Agreement. You agree that the decision as to what would be your Last Day of Employment was made prior to your accepting and executing this Agreement, and you agree that you are releasing any claim in connection with the separation of your employment.

	If any claim is not subject to release, to the extent permitted by law, you agree that you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which P&G is a party. Governmental Agencies: Nothing in this Separation Letter & Release prohibits or prevents you from filing a charge with or participating, testifying, or assisting in any investigation, hearing, or other proceeding before the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board or a similar agency enforcing federal, state or local anti-discrimination laws. However, to the maximum extent permitted by law, you agree that if such an administrative claim is made to such an anti-discrimination agency, you shall not be entitled to recover any individual monetary relief or other individual remedies. Nothing in this Separation Letter & Release, including but not limited to the “Release of Claims – Including Age Discrimination and Employment Claims” and the “Confidential, Proprietary, Trade Secret Information & Period of Non-Competition” sections of this Separation Letter & Release, prohibits you from: (1) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity, including but not limited to the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, or any agency Inspector General; (2) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; or (3) otherwise fully participating in any federal whistleblower programs, including but not limited to any such programs managed by the U.S. Securities and Exchange Commission and/or the Occupational Safety and Health Administration. You understand you do not need the prior authorization from the Company to make any such reports or disclosures, and you are not required to notify the Company that you have made such reports or disclosures. Moreover, nothing in this Separation Letter & Release prohibits or prevents you from receiving individual monetary awards or other individual relief by virtue of participating in such federal whistleblower programs.
Confidential, Proprietary, Trade Secret Information & Period of Non-Competition:	Subject to the “Governmental Agencies” portion of the “Release of Claims – Including Age Discrimination and Employment Claims” above, you agree that you will not use or share any confidential, proprietary or trade secret information about any aspect of P&G’s business with any non-P&G employee or business entity at any time in the future. You further agree that you will not obtain, transfer or have in your possession any confidential, proprietary or trade secret information on or after your last day of employment, even information you may have created yourself or to which you may have contributed as a P&G employee. Confidential, proprietary or trade secret information includes, but is not limited to, marketing and advertising plans, pricing information, upstream plans, specific areas of research and development, project work, product formulation, processing methods, assignments of individual employees, testing and evaluation procedures, cost figures, construction plans, and special techniques or methods of any kind. Notwithstanding the requirements of confidentiality contained in this section, the federal Defend Trade Secrets Act of 2016 immunizes you against criminal and civil liability under federal or state trade secret laws for your disclosure of trade secrets that is made i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or iii) to your attorney for use in a lawsuit alleging retaliation for reporting a suspected violation of law, provided that any document containing the trade secret is filed under seal and you do not otherwise disclose the trade secret, except pursuant to court order.

	Notwithstanding the requirements of confidentiality contained in this section, the federal Defend Trade Secrets Act of 2016 immunizes you against criminal and civil liability under federal or state trade secret laws for your disclosure of trade secrets that is made i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or iii) to your attorney for use in a lawsuit alleging retaliation for reporting a suspected violation of law, provided that any document containing the trade secret is filed under seal and you do not otherwise disclose the trade secret, except pursuant to court order. You further understand and agree that, unless you have prior written consent from P&G, you will not engage in any activity or provide any services for a period of three (3) years following your Last Day of Employment in connection with the manufacture, development, advertising, promotion or sale of any product which is the same as, similar to, or competitive with any products of P&G or its subsidiaries (including both existing products as well as products in development which are known to you, as a consequence of your employment with P&G): For the purposes of this section, it shall be conclusively presumed that you have knowledge or information to which you were directly exposed through the actual receipt of memos or documents containing such information or through actual attendance at meetings at which such information was discussed or disclosed. The provisions of this section are not in lieu of, but are in addition to, your continuing obligation to not use or disclose P&G's trade secrets and confidential information known to you until any particular trade secret or confidential information becomes generally known (through no fault of yours). Information regarding products in development, in test market or being marketed or promoted in a discrete geographic region, which information P&G is considering for a broader use, shall not be deemed generally known until such broader use is actually commercially implemented. Also, "generally known" means known throughout the domestic United States industry or, if you have job responsibilities outside of the United States, the appropriate foreign country or countries' industry. If any restriction in this section is found by any court of competent jurisdiction or arbitrator to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it will be modified and interpreted to extend only over the maximum period of time, range of activities or geographic area so that it may be enforceable. As a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, you are also bound by the terms of Article F – Restrictions & Covenants of those plans, which are incorporated herein by reference.

	If you are a participant in the Procter & Gamble 2019 Stock and Incentive Compensation Plan and the Procter & Gamble 2014 Stock and Incentive Compensation Plan, you are also bound by the terms of Article 6 – Restrictions and Covenants of this plan which are incorporated herein by reference.
Non-Solicitation	You acknowledge, as a participant in the Procter & Gamble 2019 Stock and Incentive Compensation Plan, the Procter & Gamble 2014 Stock & Incentive Compensation Plan, the Procter & Gamble 2009 Stock and Incentive Compensation Plan, the Procter & Gamble 2001 Stock and Incentive Plan, the Procter & Gamble 1992 Stock Plan, and/or the Gillette Company 2004 Long-Term Incentive Plan that you are bound to comply with the Plans' non-solicitation obligations. Specifically, you agree that you will not, at any time following your Employment Separation Date, attempt to directly or indirectly induce any employee of P&G or its affiliates or subsidiaries to be employed or perform services elsewhere or attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of P&G or its affiliates or subsidiaries.
Acknowledgements and Affirmations:	Subject to the "Governmental Agencies" portion of the "*Release of Claims – Including Age Discrimination and Employment Claims*" above, you affirm that you have not filed, caused to be filed, or presently are a party to any claim against P&G. You affirm that you have been paid and/or have received all compensation, wages, bonuses, commissions, and/or benefits which are due and payable as of the date you sign this Agreement. To the extent that you are required to report hours worked, you affirm that you have reported all hours worked as of the date you sign this Agreement. You affirm that you have been granted any leave to which you were entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws. You further affirm that you have no known workplace injuries or occupational diseases that have not been reported.
Assignment of Intellectual Property:	You will promptly and fully disclose, transfer and assign to P&G all inventions and any other intellectual property (collectively "Intellectual Property") made or conceived by you during your employment with P&G. You agree to fully cooperate in executing any papers required for establishing or protecting the Intellectual Property and for establishing P&G's ownership, even if such cooperation is necessary after your Last Day of Employment.

Return of P&G Property:	You agree that on or before your Last Day of Employment, you will return to P&G in good condition all of its equipment, materials and information that were in your possession, custody or control (including, but not limited to, computers, files, documents, credit cards, keys and identification badges). You further agree that you will provide your manager with all passwords to P&G electronic communication and data systems before your Last Day of Employment. You further agree that on or before your Last Day of Employment, you will return or if directed to do so by your immediate manager, delete (i.e., destroy all copies of) any and all P&G confidential, proprietary or trade secret information you have maintained in your possession, custody, or control in paper, electronic and/or digital formats, including but not limited to, any such confidential, proprietary, or trade secret information (e.g., files, documents, etc.) that you may have electronically or digitally processed or stored on P&G-issued or on personally-owned or maintained digital devices and/or service accounts. Such digital devices and/or service accounts may include, but are not limited to desktop and laptop computers, notebooks, tablets, iPads, mobile phones, smartphones, personal digital assistants (PDAs), USB and flash drives, external hard drives, CDs, DVDs, and/or external file processing or storage provided by cloud service providers such as box.net, dropbox, Google docs, etc.
Ethics Compliance:	Subject to the "Governmental Agencies" portion of the "*Release of Claims – Including Age Discrimination and Employment Claims*" above, you agree that you provided P&G all information known to you regarding any violations of the Procter & Gamble Worldwide Business Conduct Manual and/or any other violations of P&G policy or the law.

Agreement to Arbitrate Disputes:	Resolving any future differences we may have in the courts can take a long time and be expensive. You and P&G therefore agree that the only remedy for all disputes that are not released by this Agreement or that arise out of your employment with or separation from P&G, or any aspect of this Agreement, will be to submit any such disputes (with the exception noted at the end of this section) to final and binding arbitration in accordance with the National Rules for Resolution of Employment Disputes of the American Arbitration Association then in effect. You and P&G agree that the aggrieved party must send written notice of any claim to the other party by certified mail, return receipt requested. Written notice for P&G will be sent to: Secretary, One Procter & Gamble Plaza, Cincinnati, OH 45202, and to you at the most current address shown for you in P&G's records. The arbitrator will apply Ohio law. At your written request, P&G will reimburse you for all fees and costs charged by the American Arbitration Association and its arbitrator to the extent they exceed the applicable fees and costs that would have been charged by a court of competent jurisdiction had your claim been filed in court. There is one exception to this section. P&G may seek injunctive relief in any court of competent jurisdiction if it has reason to believe that you have violated or are about to violate (1) the terms of the "Confidential, Proprietary, Trade Secret Information & Period of Non-Competition" section above, or (2) if you are a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, the terms of Article F – Restrictions & Covenants of those plans or (3) if you are a participant in the 2014 Stock and Incentive Compensation Plan, the terms of Article 6 – Restrictions & Covenants of those plans.
Severability:	If any court of competent jurisdiction or arbitrator should later find that any portion of this Agreement is invalid, that invalidity will not affect the enforceability of any other portion of this Agreement.
Employment References:	You understand that P&G's historical policy is to not provide employment references to prospective employers. However, P&G is willing to waive that policy in your case on the following basis: You authorize your manager or human resources representative to provide an employment reference upon written or verbal request. In return, you release any claim against P&G and will not bring a lawsuit in court against P&G based upon that employment reference (or lack thereof). You agree that you will refer all reference inquiries to your manager or human resources representative only. You further understand that all disputes regarding employment references or the lack thereof must be resolved through the arbitration process described above.

No Reliance:	This Agreement sets forth the entire agreement between you and P&G and fully supersedes any prior agreements or understanding between the parties except that if you are a participant in the 2009 Stock and Incentive Compensation Plan, the 2001 Stock and Incentive Compensation Plan, or the 1992 Stock Plan, the terms of Article F – Restrictions & Covenants of those plans remain in full force and effect and are incorporated herein by reference and if you are a participant in the Procter & Gamble 2019 Stock and Incentive Compensation Plan or the Procter & Gamble 2014 Stock and Incentive Compensation Plan, the terms of Article 6 – Restrictions & Covenants of those plans remain in full force and are in effect and are incorporated herein by reference. In deciding to accept this Agreement, you agree that you have not relied upon any statements or promises by P&G, its managers, agents or employees, other than those set forth in this Agreement. No other promises or agreements concerning the matters described in this Agreement shall be binding unless in a subsequent document signed by these parties
Your Attorney:	You acknowledge that you have been and hereby are advised to consult with legal counsel before accepting this Agreement and have either done so or have voluntarily declined to do so.
Timing for Acceptance or Revocation:	You have forty-five (45) calendar days in which to consider this Agreement in which you waive important rights, including those under the Age Discrimination in Employment Act of 1967. If you choose to sign this Agreement, please do so by indicating your acceptance of this Agreement with your electronic signature in P&G's electronic system. We advise you to consult with an attorney of your choosing prior to signing this Agreement. Further, you may within seven (7) calendar days following the date you sign this Agreement, cancel and terminate it by giving written notice of your intention to revoke the Agreement to your immediate manager, and by returning to P&G any remuneration or benefits that have been advanced to you in anticipation of your not revoking your agreement and to which you are not entitled. If notice of your revocation is mailed, it must be postmarked within seven (7) calendar days after you sign this Agreement. You agree that any modifications, material or otherwise, made to this Agreement, do not restart or affect in any manner the original up to forty-five (45) calendar day consideration period.

The benefits described in this Agreement and pursuant to the summary plan description for the Procter & Gamble Basic Separation Program for U.S. Employees, are the special benefits you will receive by signing this Agreement. To the extent this Agreement describes benefits under other benefit plans and policies sponsored by P&G, these special benefits are also described in the summary plan descriptions for those plans. As such, nothing in this Agreement amends or changes the terms of any P&G-sponsored employee benefit plan or policy.

After your Last Day of Employment, you will no longer be an active P&G employee, which may affect your coverage under those plans and policies. For example, plans may require that you enroll in Medicare to be eligible for coverage. For more information on how not being an active P&G employee may affect your coverage, please refer to and review the summary plan descriptions for each plan, available at PGOne→Life and Career.

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Section 3: EX-10.2 (THE PROCTER & GAMBLE COMPANY EXECUTIVE DEFERRED COMPENSATION PLAN)

Exhibit 10-2

The Procter & Gamble Company Executive Deferred Compensation Plan

The Procter & Gamble Company Executive Deferred Compensation Plan (As Amended and Restated Effective February 11, 2020)

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The Procter & Gamble Company Deferred Compensation Plan

Article 1. Purpose, Status, and Effective Date

1.1 Purpose of Plan. The Procter & Gamble Company (the “Company”), an Ohio corporation, has adopted The Procter & Gamble Company Executive Deferred Compensation Plan (the “Plan”), as set forth herein, as a means of rewarding and retaining selected employees and providing such individuals the opportunity for capital accumulation through elective deferrals of compensation.

1.2 Status of Plan. The Company has established the Plan as an unfunded deferred compensation plan for a select group of management and highly compensated employees within the meaning of Sections 201(2), 301(3), and 401(1) of the Employee Retirement Income Security Act of 1974, as amended. The Plan shall at all times be administered and interpreted in a manner that is consistent with such status.

1.3 Effective Date. The Effective Date of this amended and restated Plan is February 11, 2020. The Plan was originally adopted effective July 1, 2004.

Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized.

(a) **“Account”** shall mean the bookkeeping account for a Participant that is established and maintained to record the Participant’s interest under the Plan. The balance posted to the record of the Account of a Participant shall reflect the Participant’s Contributions, PST Restoration Program Contributions, distributions, adjustments for income, gain, or loss, and other charges and credits pursuant to Article 6.

(b) **“Administrative Committee”** shall mean the committee that administers the Short-Term Achievement Reward incentive plan or such other administrative committee of the Company appointed by the Compensation and Leadership Development Committee to administer the Plan. Pursuant to Section 9.2, the Administrative Committee has the authority to delegate its responsibilities. Throughout this plan document, the term “Administrative Committee” shall also include any individual to whom the Administrative Committee has delegated its responsibilities pursuant to Section 9.2.

(c) **“Beneficiary”** shall mean the person or persons or entity designated by the Participant to receive the balance of the Participant’s Account in the event of the Participant’s death. The designation may be in favor of one or more Beneficiaries, may include contingent as well as primary designations and named or unnamed trustees under any will or trust agreement and may apportion the benefits payable in any manner among the Beneficiaries. A Participant’s designation of one or more Beneficiaries shall be made in writing in a manner designated by the Administrative Committee and shall not be effective until received by the Administrative Committee. If a Participant fails to properly designate a Beneficiary or if the designated beneficiaries of such Participant shall have predeceased the Participant, the Participant’s estate shall be the Beneficiary.

A Participant may change his or her Beneficiary without the consent of any Beneficiary by similar instrument in accordance with rules and procedures established by the Administrative Committee. The beneficiary designation form received and acknowledged most recently by the Administrative Committee shall control as of any date. If concurrent Beneficiaries are named without specifying the proportion of benefits due each, distribution shall be made in equal shares to those Beneficiaries.

(d) **“Claimant”** shall mean the Participant or Beneficiary or his or her representative submitting a claim for benefits under the Plan.

(e) **“Code”** shall mean the Internal Revenue Code of 1986, as amended, or as it may be amended from time to time. Furthermore, the phrase “to the extent permitted under the Code” means to the extent the action described does not cause taxation of a Participant’s Account prior to distribution of all or a portion of the Participant’s Account.

(f) **“Company”** shall mean The Procter & Gamble Company, an Ohio corporation, and any successor thereto which continues the Plan.

(g) **“Compensation”** shall mean the definition of compensation for the Plan Year announced in writing by the Administrative Committee on or before the due date for the Administrative Committee’s receipt of Participants’ Deferral Elections for such Plan Year. Unless and until superseded, the definition of compensation announced by the Administrative Committee for a Plan Year shall remain in effect for subsequent Plan Years.

(h) **“Compensation and Leadership Development Committee”** shall mean the Compensation and Leadership Development Committee of the Board of Directors, as constituted from time to time, of the Company. If the Compensation and Leadership Development Committee has delegated any of its authority under the Plan to a committee or to an individual, the term “Compensation and Leadership Development Committee” shall also include such committee or individual.

(i) **“Contributions”** shall mean Deferrals.

(j) **“Deferral Election”** shall mean the election or elections filed by the Participant with the Company to defer Compensation under the Plan.

(k) **“Deferrals”** shall mean the amounts credited to a Participant’s Account as Deferrals pursuant to the Participant’s Deferral Election.

(l) **“Disability”** shall mean the time when: (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expect to last for a continuous period of not less than twelve (12) months; or (b) the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve

(12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan of the Employer covering the Participant."

For purposes of any terms or conditions of the Plan related to PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4), Disability shall have the meaning set forth in Form RTD-C.

(m) **"Effective Date"** shall mean the date set forth in Section 1.3.

(n) **"Eligible Employee"** shall mean an Employee who satisfies one of the requirements for eligibility under Article 3 of the Plan.

(o) **"Employee"** shall mean any employee of the Company or a subsidiary who is expressly designated as an Employee. Any person who is not expressly designated as an Employee by the Company (or by the subsidiary of the Company for whom the person performs services) shall not be an Employee for purposes of the Plan, notwithstanding that such person may be later determined by the Internal Revenue Service or by a court of competent jurisdiction to be an employee.

(p) **"Employer"** shall mean, with respect to any Participant, the Company or, if applicable, a subsidiary of the Company (that is participating in the Plan with the consent of the Compensation and Leadership Development Committee) that employs such Participant.

(q) **"ERISA"** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

(r) **"Form RTD-C"** shall mean the Statement of Terms and Conditions for Restricted Stock Units on Form RTD-C or similar grant materials provided by the Company for Profit Sharing Restoration Program Restricted Stock Unit grants, as may be amended from time to time.

(s) **"Investment Option"** shall mean a security (other than stock of the Company), mutual fund, common or collective trust, insurance company pooled separate account, or other benchmark selected by the Administrative Committee pursuant to Section 6.2 for measuring the income, gain, or loss, and other charges and credits recorded for a Participant's Account.

(t) **"Participant"** shall mean an Employee who is eligible to participate in the Plan: (i) by reason of being selected for participation pursuant to Section 3.1(a) of the Plan; or (ii) because the Employee satisfies eligibility criteria established by the Administrative Committee for participation by a class of employees pursuant to Section 3.1(b) of the Plan.

(u) **"Plan"** shall mean The Procter & Gamble Company Executive Deferred Compensation Plan, as herein set out or as duly amended, together with any election forms executed by the Participant.

(v) **“Plan Year”** for this Plan shall mean the calendar year.

(w) **“PST Restoration Program Contributions”** shall mean the amounts credited to a Participant’s Account as Deferrals pursuant to the conversion of Restricted Stock Units under the PST Restoration Diversification Program solely for purposes of determining the value, under Article 6 of the Plan, of such Restricted Stock Units after conversion.

(x) **“PST Restoration Diversification Program”** shall mean the Company’s executive compensation program which allows certain employees to convert certain Restricted Stock Units granted to them at specified times into PST Restoration Program Contributions.

(y) **“Scheduled In-Service Withdrawal”** shall mean a distribution of all or a portion of the Deferrals credited to a Participant’s Account in the Plan Year elected by the Participant for such distribution.

(z) **“Separation from Service”** shall have the meaning provided under Section 409A of the Code and regulations thereto.

Article 3. Eligibility and Participation

3.1 Eligibility.

(a) Participation in the Plan is limited to the class of Employees who are expressly selected for Plan participation by the Compensation and Leadership Development Committee, or to those Employees at Band 6 selected for Plan participation by the Company’s Chief Human Resources Officer.

(b) In lieu of expressly selecting Employees for Plan participation, the Compensation and Leadership Development Committee may establish eligibility criteria providing for the participation of all Employees who satisfy such criteria.

(c) The Compensation and Leadership Development Committee may adopt, amend, or abolish a Participant’s selection for eligibility or eligibility criteria under Sections 3.1(a) and 3.1(b) hereof at any time, and for any reason, by resolution, which resolutions shall be attached to the copy of the Plan maintained by the Company and shall be effective as of the date specified therein, or if later, the date submitted to the Company.

3.2 Participation. A Participant shall continue to participate in the Plan with respect to amounts credited to his or her Account until: (i) the Participant ceases to satisfy any of the eligibility criteria for participation under Section 3.1, and (ii) there has been a complete distribution or forfeiture of the Participant’s Account.

Article 4. Contributions and Credits

4.1 Deferrals and Deferral Elections.

(a) A Participant may elect to make Deferrals to his or her Account for a Plan Year by timely executing and filing a Deferral Election with the Administrative Committee on or before the due date established by the Administrative Committee for the Plan Year for which the Deferral Election is being made. Except as provided in paragraphs (b), (c) and (d) of this Section 4.1, such due date shall be prior to January 1 of the Plan Year in which services for which the Compensation would otherwise be payable commence.

(b) The Administrative Committee may provide for separate Deferral Elections and due dates for the various elements of Compensation, such as base salary and bonuses. Any Deferral Election must be made prior to the period for which the element of Compensation being deferred is earned, as determined by the Administrative Committee in its sole discretion, and the Participant's Deferral Election shall only apply to Compensation earned after the date on which it is received by the Administrative Committee. Notwithstanding the above, in the case of "performance-based compensation" (as such term is defined under Code Section 409A and regulations thereto) based upon a performance period of at least twelve (12) months, the Administrative Committee may allow elections to defer such performance-based compensation no later than the date that is six (6) months before the end of the related performance period provided that the Participant has performed services continuously from a date no later than the date upon which the performance criteria are established through a date no earlier than the date upon which the Participant makes an initial deferral election, and further provided that in no event may an election to defer performance-based compensation be made after such compensation has become both substantially certain to be paid and readily ascertainable.

(c) A Participant may elect to make PST Restoration Program Contributions at any time during the Company's open window trading period for executives so long as such contributions are consistent with all Company policies and procedures and Form RTD – C, as amended ("Terms and Conditions"). Other than for purposes of determining the value of such contributions under Article 6 of the Plan, the Terms and Conditions shall apply to PST Restoration Program Contributions accounted for under this Plan.

(d) A Participant who first becomes eligible for participation in the Plan after January 1 of a Plan Year who wishes to make Deferrals to his or her Account for such Plan Year shall execute and file with the Administrative Committee a Deferral Election within thirty (30) days after the date on which such Participant is notified that he or she has become eligible to participate in the Plan. For this purpose, the date of the notice shall be the date of notification, regardless of when actually received by the Participant. A Participant may not, however, make a Deferral Election under this Section 4.1(c) if the Participant is already eligible to participate in another deferred compensation plan that is required under Code Section 409A to be aggregated with the Plan.

(e) Except as otherwise set forth in paragraph (c) of this Article 4.1, only one Deferral Election may be made for each element of Compensation earned in a single Plan Year (or earned over a period of more than one Plan Year). Any Participant who fails to timely execute and file a Deferral Election with the Administrative Committee for a Plan Year with respect to an element of Compensation shall not be permitted to make Deferrals for such element of Compensation for such Plan Year.

(f) A Deferral Election shall direct the Employer to reduce the Participant's Compensation (or the element thereof) by a whole percentage specified by the Participant in the Deferral Election.

(g) The amount specified by the Participant in the Deferral Election cannot reduce the Participant's current Compensation for such Plan Year below the amount necessary to satisfy any applicable taxes and withholdings required by law, as determined by the Administrative Committee.

(h) Except as otherwise provided in paragraphs (c) and (h) of this Article 4.1, a Deferral Election for Compensation shall be effective only for the Plan Year for which it is made. Once filed with the Administrative Committee, a Deferral Election shall be irrevocable.

(i) In making a Deferral Election, the Participant consents to the Employer's withholding from his or her currently payable Compensation the amount or amounts elected and the crediting of such withheld amounts to the Participant's Account, as provided in the Plan.

4.2 Automatic Cancellation of Deferral Elections. Notwithstanding anything in the Plan to the contrary, in the event the Participant ceases to be a Participant, all of such Participant's Deferral Elections pertaining to Plan Years that have not commenced shall immediately be cancelled, and the Participant's right to make future Deferral Elections shall be suspended until the Participant again becomes a Participant.

Article 5. Vesting

With the exception of PST Restoration Program Contributions, a Participant shall at all times be one hundred percent (100%) vested in amounts credited to the Participant's Account. PST Restoration Program Contributions vest upon completion of the Forfeiture Period on the Forfeiture Date, as those terms are defined in the applicable Form RTD – C, or similar grant materials provided by the Company, as amended.

Article 6. Participant Accounts; Investment Options

6.1 Accounts. The Administrative Committee shall establish an Account for each Participant to record the Contributions, distributions, adjustments for income, gain, or loss, and other charges and credits to the Account under the Plan. All PST Restoration Program Contributions, and any adjustments for income, gain or loss, and other charges and credits to the account related to any such contributions, shall be segregated and tracked separately.

6.2 Investment Options. The Administrative Committee shall designate one or more Investment Options for measuring the income, gain, or loss, and other charges and credits recorded for a Participant's Account and may change Investment Options prospectively at any time provided that any Investment Options designated must be comparable to an investment option available under a tax-qualified defined contribution plan of the Company. Notwithstanding anything in this Plan to the contrary, an Investment Option that provides an above-market return, as defined by Item 402 of Regulation S-K of the Securities Act of 1933, may not be designated without the approval of the Compensation and Leadership Development Committee.

6.3 Participant Allocations.

(a) A Participant shall elect on his or her Deferral Election form or on such other form or by such other means as may be specified by the Administrative Committee, one or more Investment Options to which Contributions to be credited to the Participant's Account shall be allocated. A Participant may change the allocation of future Contributions among the Investment Options and may change the allocation of his or her Account balance among the Investment Options as frequently as permitted by the Administrative Committee under rules and procedures applicable to all Participants. The Administrative Committee shall establish and may prospectively change its rules regarding the timing and frequency of Investment Option elections and may establish minimum amounts or percentages for allocating Contributions and transferring Account balances among the Investment Options.

(b) In the event a Participant fails or refuses to make an election allocating Contributions credited to his or her Account among the then available Investment Options, the Administrative Committee shall specify the Investment Option or Options to which the Participant's Account shall be allocated and notify the Participant of its selection, which notification may be the Account statements provided to the Participant.

6.4 Adjustment of Accounts. A Participant's Account balance shall be adjusted daily, based on the performance of the Investment Options selected by the Participant, as if the portion of the Participant's Account allocated to an Investment Option were actually invested in such Investment Option and adjusted for other amounts as if such other amounts were actually charged or credited to an actual Account balance of the Participant. The Administrative Committee may also charge as an expense against a Participant's Account: (i) amounts customarily charged by the sponsor of one or more Investment Options that are charged on a per-Participant or per-transaction basis and not otherwise charged as an expense of an Investment Option, and (ii) the Administrative Committee's and the Employer's own expenses and out-ofpocket fees in administering the Plan. The Administrative Committee's allocation of charges and expenses among Participant Accounts shall be final and conclusive against the Participants and all other parties.

6.5 Status of Investment Options. The Investment Options established by the Administrative Committee from time to time are for the sole purpose of providing a performance measurement for adjusting Participants' Accounts for income, gain, or loss, and other charges and credits. Notwithstanding anything in this Plan to the contrary, neither the Company nor the Administrative Committee shall be required to actually invest monies in any fund designated as an Investment Option, any decision to so invest shall remain within the discretion of the Company (subject to the approval of the Compensation and Leadership Development Committee), and any amounts so invested shall remain the property of the Company.

Article 7. Distribution of Benefits

7.1 Distribution Commencement Election.

(a) With the exception of PST Restoration Program Contributions, at the time each Deferral Election is made, the Participant may elect to receive a distribution of up to one hundred percent (100%) of the related amount deferred (including adjustments thereon pursuant to Section 6.4) upon a Separation from Service (for reasons other than death) or Disability.

(b) A Participant may instead elect to receive a Scheduled In-Service Withdrawal of up to one hundred percent (100%) of the related amount deferred (including adjustments thereon pursuant to Section 6.4); provided, however, that any Scheduled In-Service Withdrawal must occur at least one (1) year after the end of the Plan Year in which the Deferrals being distributed were credited to the Participant's Account. Scheduled In-Service Withdrawals are not available for PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4).

(c) With the exception of any PST Restoration Program Contributions, separate distribution elections may be made for each Plan Year's credited Contributions. The Participant's distribution election shall be made in writing as specified by the Administrative Committee.

(d) Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4) shall be made in accordance with the Terms and Conditions associated with those contributions, except that such distributions shall be payable in cash and not in the Company's common stock.

7.2 Separation from Service/Disability Form of Distribution Election and Time of Payment.

(a) At the time each Deferral Election is made on or after the Effective Date, a Participant may elect one or both of the following forms of distribution for his or her Account distributable by reason of the Participant's Separation from

Service or Disability: (i) a single sum distribution, or (ii) a distribution in approximately equal annual installments payable over a period of two (2) to ten (10) years. The Account balance of a Participant who fails or refuses to elect a method of distribution shall be paid in a single sum. Except as provided under Section 7.7, the form of distribution established in connection with any Deferral Election made before the Effective Date shall continue to apply with respect to Deferrals covered by that Deferral Election.

(b) Except as set forth in paragraph (c) of this Section 7.2, a distribution of the Participant's vested Account that is payable by reason of the Participant's Separation from Service or Disability shall be paid (in the case of a single sum) or commence to be paid (in the case of annual payments) as soon as practicable in the calendar year following the calendar year in which the Participant's Separation from Service or Disability occurs. A distribution may, however, be delayed in order to comply with Section 7.6 of the Plan. Any unvested amounts in the Account shall be immediately forfeited, unless otherwise agreed to in writing by the Company.

(c) Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4) shall be made in accordance with the Terms and Conditions associated with those contributions, except that such distributions shall be payable in cash and not in the Company's common stock.

7.3 Death Form of Distribution Election and Time of Payment.

(a) At the time a Participant first makes a Deferral Election, the Participant may elect how to receive the undistributed portion of his or her Account in the event of death. The Participant may elect: (i) a single sum distribution, or (ii) a distribution in approximately equal annual installments payable over a period of two (2) to ten (10) years. If a Participant fails or refuses to elect a method of distribution, the undistributed portion of his or her Account shall be paid in a single sum.

(b) If a Participant dies before a complete distribution of his or her Account under the Plan has occurred, the Participant's undistributed Account balance shall commence to be distributed to his or her Beneficiary under the distribution method (for death) elected by the Participant as soon as administratively possible following receipt by the Administrative Committee of satisfactory notice and confirmation of the Participant's death.

(c) Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4) shall be made in accordance with the Terms and Conditions associated with those contributions, except that such distributions shall be payable in cash and not in the Company's common stock.

7. 4 Scheduled In-Service Withdrawals.

(a) A Scheduled In-Service Withdrawal shall be paid in a single sum as soon as practicable in the January of the payout year elected by the Participant to receive such Scheduled In-Service Withdrawal.

(b) If a Participant has elected a Scheduled In-Service Withdrawal for all or a portion of his or her Account, but terminates employment with all Employers for any reason other than Disability or death prior to the year specified by the Participant for such Scheduled In-Service Withdrawal to be paid, the Scheduled In-Service Withdrawal shall be paid in the year following the year employment terminates.

(c) If a Participant terminates employment with all Employers by reason of Disability or death prior to the year specified by the Participant for such Scheduled In-Service Withdrawal to be paid, the Scheduled In-Service Withdrawal distribution shall be distributed in the manner elected by the Participant for Disability or death. However, if Disability or death occurs within a Plan Year during which a Scheduled In-Service Withdrawal is still to be paid, such withdrawal shall be paid as scheduled to the Participant (or in the event of death, to the Participant's estate).

(d) Notwithstanding the above, PST Restoration Program Contributions (including any adjustments thereon pursuant to Article 6.4) are not eligible for Scheduled In-Service Withdrawals.

7.5 Form of Distributions. All amounts distributed to a Participant from his or her Account shall be paid in cash by the Employer or its designee.

7.6 Postponement of Distributions. Except as otherwise set forth herein, in the event of a Participant's Separation from Service for reasons other than death, there shall be no payment to the Participant for the six (6) month period following the Participant's Separation from Service (the "Postponement Period"). In addition, with respect to amounts deferred pursuant to a Deferral Election that was made before the Effective Date, the Administrative Committee shall further postpone the distribution of all or part of an amount otherwise payable under Article 7 to a Participant to the extent that the distribution would not be deductible by the Employer under Section 162(m) of the Code. Once the Postponement Period has passed, a conversion or distribution that is postponed pursuant to this Article 7.6 shall be converted and/or paid as soon as it is possible to do so within the deduction limitations of Section 162(m) of the Code, but in no event will any such payment be delayed beyond the later of (a) the last day of the taxable year of the Employer in which the Postponement Period ends; or (b) the 15th day of the third month following the Postponement Period. Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions, including any postponement thereof, shall be made in accordance with the Terms and Conditions associated with those contributions.

7.7 Permitted Changes in Distribution Elections. To the extent permitted under the Code and by the Administrative Committee, a Participant may change his or her distribution election related to amount(s) distributable by reason of his or her Disability or death if such change is made in writing at least twelve (12) months prior to the Participant's Disability or death and only if such change will not result in taxation of amounts previously deferred. In the event that the Participant's most recent form of distribution election was made within twelve (12) months of the Participant's Disability or death, the next most recent election made by the Participant at least twelve (12) months prior to the Participant's Separation from Service by reason of Disability or death (or if none, the Participant's initial election) shall be used. Notwithstanding anything to the contrary in this Article 7, a distribution payable with respect to any PST Restoration Program Contributions, including any postponement thereof, shall be made in accordance with the Terms and Conditions associated with those contributions.

Article 8. Claims Procedures

8.1 Generally. A distribution request (also referred to herein as a claim) shall be made by filing a written request with the Administrative Committee on a form provided by the Administrative Committee, which shall be delivered to the Administrative Committee. If the claims procedure form made available by the Administrative Committee does not contain information on where to file the claim, the claim may be submitted to the human resources office at the site where the Claimant is employed.

8.2 Denied Claims. If a claim is denied in whole or in part, the Claimant shall receive a written or electronic notice explaining the denial of the claim within ninety (90) days after the Administrative Committee's receipt of the claim. If the Administrative Committee determines that for reasons beyond its control, a ninety (90) day extension of time is necessary to process the claim, the Claimant shall be notified in writing of the extension and reason for the extension within ninety (90) days after the Administrative Committee's receipt of the claim. The written extension notification shall also indicate the date by which the Administrative Committee expects to render a final decision. A notice of denial of claim shall contain the following: the specific reason or reasons for the denial; reference to the specific Plan provisions on which the denial is based; a description of any additional materials or information necessary for such Claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(c) of ERISA following an adverse determination on review.

8.3 Review of Denied Claims. A Claimant may file a written request for a review of the denial of a claim within sixty (60) days after receiving written notice of the denial. The Claimant may submit written comments, documents, records, and other relevant information in support of the claim. A Claimant shall be provided, upon request and without charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim. A document, record, or other information shall be considered relevant if it: (a) was relied upon in denying the claim; (b) was submitted, considered or generated in the course of processing the claim, regardless of whether it was relied upon; (c) demonstrates compliance with the claims procedures process; or (d) constitutes a statement of Plan policy or guidance concerning the denied claim.

8.4 Decisions on Reviewed Claims. The Administrative Committee shall notify the Claimant in writing of its decision on the appeal. Such notification shall be in a form designed to be understood by the Claimant. If the claim is denied in whole or in part on appeal, the notification shall also contain: the specific reason or reasons for the denial; reference to the specific Plan provisions on which the determination is based; a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits; and a statement that the Claimant has a right to bring an action under Section 502(a) of ERISA. A document, record, or other information shall be considered relevant if it: (a) was relied upon in denying the claim; (b) was submitted, considered, or generated in the course of processing the claim, regardless of whether it was relied upon; (c) demonstrates compliance with the claims procedures process; or (d) constitutes a statement of Plan policy or guidance concerning the denied claim. Such notification shall be given by the Administrative Committee within sixty (60) days after the complete appeal is received by the Administrative Committee (or within one hundred twenty (120) days if the Administrative Committee determines special circumstances require an extension of time for considering the appeal, and if written notice of such extension and circumstances is given to the Claimant within the initial sixty (60) day period). Such written extension notice shall also indicate the date by which the Administrative Committee expects to render a decision.

8.5 Review Procedures. In reviewing a denied claim, the reviewer shall take into consideration all comments, documents, records, and other information submitted by the Claimant in support of the claim, without regard to whether such information was submitted or considered in the initial determination.

Article 9. Plan Administration

9.1 Establishment of the Administrative Committee. The Administrative Committee shall have the sole responsibility for the administration of the Plan. The Administrative Committee shall consist of at least three (3) members who shall be appointed by the Compensation and Leadership Development Committee and who may also be officers, directors, or employees of the Company or an Employer. An Administrative Committee member may resign by written notice to, or may be removed by, the Company, which shall appoint a successor to fill any vacancy on the Administrative Committee, howsoever caused. An Employee's membership on the Administrative Committee shall automatically terminate upon such Employee's termination of employment with all Employers.

9.2 Appointment and Duties of the Administrative Committee.

(a) The Administrative Committee may delegate its responsibilities hereunder to one or more persons, to serve at the Administrative Committee's discretion. The Administrative Committee or its delegatee(s) shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following:

(i) To administer and enforce the Plan, including the discretionary and exclusive authority to interpret the Plan, to make all factual determinations under the Plan, and to resolve questions between the Company and Participants or Beneficiaries, including questions which relate to eligibility and distributions from the Plan, to remedy possible ambiguities, inconsistencies, or omissions, and decisions on claims which shall, subject to the claims procedures under the Plan, be conclusive and binding upon all persons hereunder, including, without limitation, Participants, other Employees of the Company, Beneficiaries, and former Participants, and their executors, administrators, conservators, or heirs;

(ii) To prescribe procedures to be followed by Participants or Beneficiaries filing applications for benefits;

(iii) To prepare and distribute, in such manner as the Administrative Committee determines to be appropriate, information explaining the Plan;

(iv) To receive from the Employer and from Participants such information as shall be necessary for the proper administration of the Plan;

(v) To furnish the Employer, upon request, such reports with respect to the administration of the Plan as are reasonable and appropriate;

(vi) To receive, review, and keep on file (as it deems convenient or proper) reports of the receipts and disbursements under the Plan;

(vii) To appoint or employ individuals to assist in the administration of the Plan and any other agents it deems advisable, including legal counsel, and such clerical, medical, accounting, auditing, actuarial, and other services as it may require in carrying out the provisions of the Plan or in connection with any legal claim or proceeding involving the Plan, to settle, compromise, contest, prosecute, or abandon claims in favor of or against the Plan; and

(viii) To discharge all other duties set forth herein.

(b) The Administrative Committee shall have no power to add to, subtract from, or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility under the Plan. No member of the Administrative Committee shall participate in any action on any matters involving solely his or her own rights or benefits as a Participant under the Plan, and any such matters shall be determined by the Compensation and Leadership Development Committee.

9.3 Actions by the Administrative Committee. The Administrative Committee may act at a meeting or by writing without a meeting, by the vote or assent of a majority of its members. The Administrative Committee may adopt such bylaws and regulations as it deems desirable for the conduct of its affairs and the administration of the Plan. A dissenting Administrative Committee member who, within a reasonable time after he or she has knowledge of any action or failure to act by the majority, registers his or her dissent in writing delivered to the other Administrative Committee members shall not be responsible for any such action or failure to act.

9.4 Expenses of the Administrative Committee. Members of the Administrative Committee shall not receive compensation from the Plan for those services they perform as the Administrative Committee members while employed by an Employer. Any and all necessary expenses related to Plan administration shall be paid by the Company but may be charged against Plan Accounts.

9.5 Records of the Administrative Committee. The Administrative Committee shall keep a record of all of its meetings and shall keep all such books of account, records, and other data as may be necessary or desirable in its judgment for the administration of the Plan.

9.6 Information From Participant. The Administrative Committee may require a Participant to complete and file with the Administrative Committee forms approved by the Administrative Committee, and to furnish all pertinent information requested by such Administrative Committee. The Administrative Committee may rely upon all such information so furnished, including the Participant's current mailing address.

9.7 Notification of Participant's Address. Each Participant, retired Participant, and Beneficiary entitled to benefits under the Plan must file with the Administrative Committee or such other person designated by the Administrative Committee, in writing, his or her post office address and each change of post office address. Any communication, statement, or notice addressed to such a person at this latest post office address as filed with the Administrative Committee shall, on deposit in the United States mail with postage prepaid, be binding upon such person for all purposes of the Plan, and the Administrative Committee shall not be obliged to search for, or ascertain the whereabouts of, any such person.

9.8 Indemnification. Notwithstanding any provision herein to the contrary, no member of the Administrative Committee nor any individual to whom the Administrative Committee has delegated duties under this Plan shall be liable to any Participant, former Participant, designated Beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, unless attributable to fraud or willful misconduct on the part of such member or individual. Furthermore, members of the Administrative Committee and all individuals to whom the Administrative Committee has delegated duties under this Plan shall be indemnified by the Company against any and all liabilities arising by reason of any act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto.

Article 10. Amendment and Termination

The Company hereby reserves the right, by written resolution of the Compensation and Leadership Development Committee, to amend or terminate the Plan at any time, and for any reason, without the consent of any Participant. No amendment shall impair or curtail the Employer's contractual obligations to a Participant for the vested portion of the Participant's Account prior to the date of any such amendment or termination of the Plan. In addition, the Compensation and Leadership Development Committee may, by written resolution, liquidate the plan provided such liquidation is implemented in accordance with the rules of Code Section 409A.

Article 11. Additional Provisions

11.1 No Contract. Nothing in the Plan shall be deemed to give a Participant any right to be retained in the employ of the Employer or to interfere with the Employer's right to discharge the Participant at any time, with or without cause.

11.2 Withholdings. The Employer shall withhold from any amount distributable to a Participant under the Plan any applicable actual or hypothetical federal, state, or local income or employment taxes or any other amounts required to be withheld by law or withheld pursuant to Section 11.4. In addition, the Employer may withhold from a Participant's currently payable salary, bonus, or other compensation any applicable federal, state, or local income or employment taxes that may be due upon the crediting of an amount to the Participant's Account.

11.3 Rights Not Transferable. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, alienate, or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment, or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

11.4 Offset. If, at the time payments or installments of payments are to be made hereunder, the Participant or Beneficiary or both are indebted or obligated to the Company, then such payments or installments of payments to be made to the Participant or the Beneficiary or both may, at the discretion of the Company, be reduced by the amount of the indebtedness or obligation, provided, however, that an election by the Company not to reduce any such payment or payments shall not constitute a waiver of its claim for such indebtedness or obligation or a waiver of its right to make an offset against payments in the future. Notwithstanding the above, payments or installments of payments that are payable under the Plan may not be offset against amounts otherwise owed to the Company that are otherwise due prior to the time payment is due under the Plan.

11.5 No Funding. The Plan constitutes a mere promise of the Employer to make payments in accordance with the terms of the Plan. This Plan does not give any Participant or his or her

Beneficiary any interest, lien, or claim in or against any specific assets of the Employer. The Participant and his or her Beneficiary shall have only the rights of general, unsecured creditors of the Employer with respect to their rights under the Plan.

The Company may, but shall not be required to, establish a grantor trust as a funding source for its obligations under the Plan. If such a trust is so established, it shall be the intention of the Company that the trust shall constitute an unfunded arrangement for purposes of the Plan, such that the Plan shall continue to be an unfunded plan maintained for the purpose of providing deferred compensation to a select group of management or highly compensated employees under ERISA. With respect to any Participant, the assets of the trust so established shall remain subject to the claims of the creditors of that Participant's Employer in the event of the Employer's bankruptcy or insolvency.

11.6 Construction. The headings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provision.

11.7 Gender and Number. Except when otherwise clearly indicated by the context, when used in the Plan words in any gender shall include any other gender, and words in the singular shall include the plural, and words in the plural shall include the singular.

11.8 Severability. In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted, and the Company shall have the right to correct and remedy such questions of illegality or invalidity by amendment as provided by the Plan.

11.9 Governing Law. The Plan shall be regulated, construed, and administered in all respects under and by the laws of the state of Ohio, without regard to its conflict of laws provisions, except when preempted by federal law.

11.10 Voiding of Plan Provisions. If any provision under this Plan causes an amount deferred to become subject to income tax under the Code prior to the time such amount is paid to the Participant, such provision shall be deemed null and void with respect to such amount deferred and the Administrative Committee shall take whatever steps as may be required to accomplish the deferral objectives of the Plan without causing early taxation of such amount deferred and without any Employer incurring additional cost or liability.

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Section 4: EX-10.3 (THE PROCTER & GAMBLE PERFORMANCE STOCK PROGRAM SUMMARY)

Exhibit 10-3

The Procter & Gamble Performance Stock Program Summary

PERFORMANCE STOCK PROGRAM SUMMARY
(Effective July 1, 2019)

The Performance Stock Program ("PSP") is a part of The Procter & Gamble Company's (the "Company") long-term incentive ("LTI") compensation and is designed to provide additional focus on key Company measures for top executives with senior management responsibility for total Company results. Awards granted under the PSP ("PSP Awards") are made pursuant to authority delegated to the Compensation & Leadership Development Committee (the "C&LD Committee") by the Board of Directors for determining compensation for the Company's principal officers and for making awards under the Procter & Gamble 2019 Stock and Incentive Compensation Plan (the "2019 Plan") or any successor stock plan approved in accordance with applicable listing standards.

I. ELIGIBILITY

The Chairman of the Board and/or Chief Executive Officer and those active executives at Band 6 or above as of October 1 prior to the grant date and recommended by management are eligible to participate ("Participants"). In special circumstances such as for acquisitions or experienced hires, the CHRO may authorize participation for Band 6 or above employees who are not active as of October 1 but are active employees as of the grant date.

II. OVERVIEW

A significant portion of the Band 6 and above compensation is delivered through two long-term incentive programs tied to Company performance: PSP and the Long-term Incentive Program.

Total long-term incentive compensation targets are based on relevant competitive market data considering the median total long-term compensation of comparable positions, regressed for revenue size. The C&LD Committee establishes the Peer Group and sets compensation targets for all Principal Officers including the CEO. The CEO approves compensation targets for non-Principal Officers (generally Band 6 managers).

The C&LD Committee determines the long-term incentive award for the CEO. The CEO recommends all other Principal Officer awards to the C&LD Committee based on benchmarked long-term compensation targets, adjusted for business results and individual contributions attributable to each executive and including that individual's leadership skills. The C&LD Committee retains full authority to accept, modify, or reject these recommendations. The CEO approves awards for participants who are not Principal Officers based on long-term compensation targets, business results and individual contributions. Long-term incentive awards can be up to 50% above or 50% below the benchmarked target. In exceptional cases, no award will be made. After total LTI award size is determined then approximately half of each Band 7 manager's long-term compensation is allocated to PSP via an Initial PSU Grant (as defined below). The remaining portion is a Long-term Incentive Program Grant. Approximately 25% of each Band 6 manager's total LTI is allocated to PSP with the remainder awarded under the Long-term Incentive Program.

PSP rewards Participants for Company performance against certain three-year performance goals in categories established by the C&LD Committee. The C&LD Committee sets these performance goals for each three-year period that begins on July 1 and ends on June 30 three years later ("Performance Period"). In the first year of each Performance Period, the C&LD Committee grants Performance Stock Units ("PSUs") to Participants that will vest at the end of the Performance Period based on the Company's performance relative to the pre-established performance goals ("Initial PSU Grant"). The number of PSUs that vest at the end of the Performance Period depends on the Company's performance against the pre-established performance goals. Vested PSUs, including dividend equivalents, are converted into shares of the Company's common stock ("Common Stock") delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant in accordance with Section 409A of the Internal Revenue Code ("Section 409A").

III. <u>PERFORMANCE CATEGORIES</u>

The PSP Award is based on the Company's performance in each of the following categories (each a "Performance Category") and weighted as indicated:

- Organic sales growth (percentile rank in the competitive peer group)* – 30%
- Constant currency core before-tax operating profit growth – 20%
- Core earnings per share (EPS) growth – 30%
- Adjusted free cash flow productivity – 20%

Awards will be further adjusted based on the three-year relative total shareholder return (R-TSR) of P&G compared to the competitive peer group*. Awards will be adjusted for top quartile performance using a 125% multiplier to increase awards, and reduced for bottom quartile performance using a 75% multiplier.
** Competitive peer group is defined in the PSP Accounting Guidelines.*

Within the first 90 days of each Performance Period, the C&LD Committee sets three-year performance goals ("Performance Goals") for each Performance Category for such Performance Period and establishes a sliding scale to measure the Company's performance against each Performance Goal in each Performance Category. The C&LD Committee uses the sliding scale to establish a payout factor between 0% and 200% for each Performance Category (a "Sales Factor", "Profit Factor", "EPS Factor" and "Cash Flow Factor", collectively, "Performance Factors"). The final aggregated payout factor (including the R-TSR multiplier) may not exceed 200%.

In all cases, the C&LD Committee retains the discretion to include or exclude certain of the Performance Categories for purposes of determining the PSP Award. The C&LD

Committee may reduce or eliminate any payment if it determines that such payout is inconsistent with long-term shareholders' interests or incongruous with the overall performance of the company.

PSP awards will have the following terms unless otherwise approved by the C&LD Committee:

IV. THE INITIAL PSU GRANT

The C&LD Committee has the sole discretion to establish the target award ("PSP Target") for each Participant serving as a Principal Officer. The CEO establishes the PSP Targets for participants who are not Principal Officers. The PSP Target will be a cash amount and will be the basis for the Initial PSU Grant. The C&LD Committee will make the Initial PSU Grant on the last business date in February ("Grant Date") following the beginning of each Performance Period. If the New York Stock Exchange is closed on the day of the grant, then the C&LD will establish a grant date as soon as practical subsequent to the date previously specified for such award. The Initial PSU Grant will set forth a target and maximum number of PSUs. The target number of PSUs will be determined by dividing the PSP Target by the closing price ("Grant Price") of the Company's Common Stock on the New York Stock Exchange as of the close of business on the Grant Date, rounding to the nearest whole unit.

V. PSU VESTING AND PAYMENT

After the Performance Period is complete, the C&LD Committee will establish the Payout Factors for each of the Performance Categories based on the Company's results versus the pre-established Performance Goals. The number of PSUs that vest will be determined by multiplying the Performance Factors by their respective weightings, summing up the results, then applying the R-TSR multiplier if applicable. The final result will be rounded up or down to the nearest full percentage. The resulting percentage will be applied to the number of PSUs in the Initial PSU Grant target, including dividends that would have accumulated since the initial PSU grant on the vested units. Any resulting fractional share units may be paid as cash, fractional shares, or rounded up to the next full share based on administrative preference of the Company. The number of PSUs that vest may be equal to, above or below the Initial PSU Grant target depending on the Company's performance in the Performance Categories, but in no event more than the Initial PSU Grant maximum. Vested PSUs are converted into shares of Common Stock delivered to the applicable Participant within 60 days following the end of the Performance Period, or such later date as may be elected by the Participant if applicable and in accordance with Section 409A.

Participants at Band 7 and above may elect to defer delivery of the Common Stock by electing to receive Restricted Stock Units. PSP RSUs will have the following terms unless otherwise approved by the Committee at grant:

VESTING AND SETTLEMENT: PSP RSUs will be vested on the grant date with a settlement date at least one year following the original PSU delivery date (as elected by the Participant), are eligible for dividend equivalents, and can be further deferred in accordance with Section 409A. These RSUs will be paid on their Original Settlement Date or the Agreed Settlement Date, except in the case of death. In the case of death (except in France and the UK), payment will be made by the later of the end of the calendar year or two and a half months following the date of death. For awards granted in France or the UK, the consequences of death are determined by the local plan supplement, if applicable.

VI. SEPARATION FROM THE COMPANY (Defined terms shall have the meaning designated in the 2019 Plan or related award documents)

If the Participant's Termination of Employment occurs for any reason before the Vest Date, except for the reasons listed below, the Award will be forfeited. Participants must remain in compliance with the terms and conditions set forth in the 2019 Plan, including those in Article 6.

- Termination on Account of Death (except in France and the UK). The Award is immediately vested and will become deliverable on the Settlement Date or Agreed Settlement Date, whichever is applicable.

- Termination on Account of Death for awards granted in France or the UK. The consequences of death are determined by the local plan supplement, if applicable.

- Termination on Account of Retirement or Disability after June 30th of the fiscal year in which this Award was granted. PSUs are retained and will be delivered on the Settlement Date.

- Termination pursuant to a Written Separation Agreement that provides for retention of the Award, after June 30th of the fiscal year in which this Award was granted. PSUs are retained and will be delivered on the Settlement Date.

- Termination in connection with a divestiture or separation of any of the Company's businesses, as determined by the Company's Chief Human Resources Officer. PSUs are retained and will be delivered on the Settlement Date.

VII. CHANGE IN CONTROL

Notwithstanding the foregoing, if there is a Change in Control that meets the requirements of a change in control event under Section 409A, all outstanding PSP Awards will vest at 100% of the Initial PSU Grant target (or 100% of the PSP Target if the Change in Control occurs prior to the Initial PSU Grant) including dividends that would have accumulated since the initial PSU grant on the vested units, and shall be paid in shares of Common Stock at the time of such Change in Control. If there is a Change in Control event that does not meet the requirements of a change in control event under Section 409A, all outstanding PSP Awards will be settled according to the terms and conditions set forth herein, without the application Article 17 of the 2019 Plan. "Change in Control" shall have the same meaning as defined in the 2019 Plan or any successor stock plan approved in accordance with applicable listing standards.

VIII. GENERAL TERMS AND CONDITIONS

It shall be understood that the PSP does not give to any officer or employee any contract rights, express or implied, against any Company for any PSP Award, or for compensation in addition to the salary paid to him or her, or any right to question the action of the Board of Directors or the C&LD Committee.

Each PSP Award made to an individual at Band 7 and above is subject to the Senior Executive Recoupment Policy adopted by the C&LD Committee in December 2006.

To the extent applicable, it is intended that the PSP comply with the provisions of Section 409A. The PSP will be administered and interpreted in a manner consistent with this intent. Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A) payable under the PSP to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to a Participant under the PSP may not be reduced by, or offset against, any amount owing by a Participant to the Company.

This program document may be amended at any time by the C&LD Committee

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Section 5: EX-31.1 (EXHIBIT 31.1 RULE 13A-14(A)/15D-14(A) CERTIFICATION CHIEF EXECUTIVE OFFICER)

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certifications

I, David S. Taylor, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

April 20, 2020

Date

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Section 6: EX-31.2 (EXHIBIT 31.1 RULE 13A-14(A)/15D-14(A) CERTIFICATION CHIEF FINANCIALOFFICER)

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certifications

I, Jon R. Moeller, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The Procter & Gamble Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ JON R. MOELLER

(Jon R. Moeller)

Vice Chairman, Chief Operating Officer and Chief Financial Officer

April 20, 2020

Date

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Section 7: EX-32.1 (SECTION 1350 CERTIFICATION CHIEF EXECUTIVE OFFICER)

EXHIBIT 32.1

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the “Company”) certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ DAVID S. TAYLOR

(David S. Taylor)

Chairman of the Board, President and Chief Executive Officer

April 20, 2020

Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 8: EX-32.2 (SECTION 1350 CERTIFICATION-CHIEF FINANCIAL OFFICER)

EXHIBIT 32.2

Section 1350 Certifications

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Procter & Gamble Company (the “Company”) certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

/s/ JON R. MOELLER

(Jon R. Moeller)

Vice Chairman, Chief Operating Officer and Chief Financial Officer

April 20, 2020

Date

A signed original of this written statement required by Section 906 has been provided to The Procter & Gamble Company and will be retained by The Procter & Gamble Company and furnished to the Securities and Exchange Commission or its staff upon request.

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