

Communist China Risk Audit

RESOLVED:

Shareholders request that, beginning in 2024, The Procter & Gamble Company report annually to shareholders on the nature and extent to which corporate operations depend on, and are vulnerable to, Communist China, which is a serial human rights violator and a geopolitical threat. The report should exclude confidential business information but provide shareholders with a sense of the Company's reliance on activities conducted within, and thus under the control of, the Chinese government.

Supporting Statement:

CNN reported¹ in 2021 that “Beijing has made it clear that multinational corporations have to follow its rules if they wish to operate in the country, and gaining favor can require...abiding by restrictive regulations...Many companies have traditionally been willing to play along, given how enticing the giant economy is as a market.”

According to data and analysis by Strategy Risks, which measures corporate exposure to China, Procter & Gamble generated \$6 billion in revenue from the communist country in 2020.² The Company reports that 10% of its net sales in 2022 were generated from “Greater China.”³

China is a serial violator of human and political rights.⁴

China is also an adversary of the U.S. for many reasons, including:

- China intends to displace the U.S. as the lone global superpower by 2049;
- The U.S. has committed to defend Taiwan, which China has asserted is part of its country and may attempt to seize by force;
- U.S. - China relations are tense over a number of issues including China's military expansion; espionage; egregious human rights violations; actions related to the COVID pandemic; elimination of freedom in Hong Kong; and environmental pollution.

China is also identified in the U.S. State Department's 2022 *Trafficking in Persons Report* as a state sponsor of human trafficking. It is now subject to the *Uyghur Forced Labor Prevention Act*, which imposes strict verification of parts and products imported from China, that they are not generated from slave labor.

¹ Disis, Jill & Wang, Selina. “Doing business in China is difficult. A clash over human rights is making it harder,” CNN Business, April 2, 2021. See <https://cnn.it/3ef24EI>.

² “Beijing Olympics Sponsors Face a \$110 Billion Dilemma,” Bloomberg News, Oct. 11, 2021. See <https://www.bloomberg.com/news/articles/2021-10-11/big-brands-face-a-110-billion-dilemma-with-the-beijing-olympics>.

³ <https://www.pginvestor.com/about-p-g/p-g-at-a-glance/default.aspx>.

⁴ “2022 Country Reports on Human Rights Practices: China (Includes Hong Kong, Macau and Tibet),” U.S. Department of State. See <https://www.state.gov/reports/2022-country-reports-on-human-rights-practices/china/>.

A July 2022 joint statement from the leaders of the British and American domestic intelligence agencies warned that the Communist Chinese Party is the greatest threat to the international order. “We consistently see that it’s the Chinese government that poses the biggest long-term threat to our economic and national security, and by ‘our,’ I mean both of our nations, along with our allies in Europe and elsewhere,” said FBI Director Christopher Wray.

Given the controversial, if not dangerous, nature of doing business in and with China, shareholders have the right to know the extent to which Procter & Gamble’s operations depend on Communist China.