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

FORM 10-K

☑ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended June 30, 2021
OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from __________to__________.
Commission file number: 1-07151

The Clorox Company

THE CLOROX COMPANY
(Exact name of registrant as specified in its charter)

Delaware	**31-0595760**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1221 Broadway, Oakland, California 94612-1888
(Address of principal executive offices) (ZIP code)

(510) 271-7000
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock – $1.00 par value	CLX	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 and post 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. (Check one):

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the registrant's common stock held by non-affiliates as of December 31, 2020 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $25.3 billion.

As of July 28, 2021, there were 122,813,075 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2021 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days after June 30, 2021, are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

THE CLOROX COMPANY
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
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PART I

This Annual Report on Form 10-K for the fiscal year ended June 30, 2021 (this Report), including the exhibits hereto and the information incorporated by reference herein, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), including, among others, statements related to the expected or potential impact of the novel coronavirus (COVID-19) pandemic, and the related responses of governments, consumers, customers, suppliers, employees and the Company, on our business, operations, employees, financial condition and results of operations, and any such forward-looking statements, whether concerning the COVID-19 pandemic or otherwise, involve risks, assumptions and uncertainties. Except for historical information, statements about future volumes, sales, organic sales growth, foreign currencies, costs, cost savings, margin, earnings, earnings per share, diluted earnings per share, foreign currency exchange rates, tax rates, cash flows, plans, objectives, expectations, growth or profitability are forward-looking statements based on management's estimates, beliefs, assumptions and projections. Words such as "could," "will," "may," "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "predicts" and variations on such words, and similar expressions that reflect our current views with respect to future events and operational and financial performance, are intended to identify such forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed below. Important factors that could affect performance and cause results to differ materially from management's expectations, or could affect the Company's ability to achieve its strategic goals, are described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Report, as updated from time to time in the Company's U.S. Securities and Exchange Commission (SEC) filings.

The Company's forward-looking statements in this Report are based on management's current views, beliefs, assumptions and expectations regarding future events and speak only as of the date of this Report. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

In this Report, unless the context requires otherwise, the terms "the Company," "Clorox," "we," "us" and "our" refer to The Clorox Company and its subsidiaries.

ITEM 1. BUSINESS

Overview of Business

The Clorox Company is a leading multinational manufacturer and marketer of consumer and professional products with fiscal year 2021 net sales of $7.3 billion and about 9,000 employees worldwide as of June 30, 2021. Its products are sold primarily through mass retailers; grocery outlets; warehouse clubs; dollar stores; home hardware centers; drug, pet and military stores; third-party and owned e-commerce channels; and distributors. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products; Pine-Sol® cleaners; Liquid-Plumr® clog removers; Poett® home care products; Fresh Step® cat litter; Glad® bags and wraps; Kingsford® grilling products; Hidden Valley® dressings, dips, seasonings and sauces; Brita® water-filtration systems and filters; Burt's Bees® natural personal care products; and RenewLife®, Rainbow Light®, Natural Vitality® and NeoCell® vitamins, minerals and supplements. The Company also markets industry-leading products and technologies for professional customers, including those sold under the CloroxPro™ and Clorox Healthcare® brand names. More than 80% of the Company's sales are generated from brands that hold the No. 1 or No. 2 market share positions in their categories. The Company was founded in Oakland, California, in 1913 and is incorporated in Delaware.

In fiscal year 2021, the COVID-19 pandemic continued to cause economic and societal disruptions as well as ongoing uncertainties. Guided by its IGNITE strategy, the Company is well positioned for the future, making significant investments to drive brand loyalty among new and existing consumers.

Clorox is a health and wellness company at heart, putting people at the center of everything it does. Whether it's consumers, employees or communities, the Company is committed to helping people be well and thrive every single day. Clorox fulfills that purpose through its global portfolio by offering products that support people to be safe and well, enable communities to thrive, and bring joy to everyday life at home. It also prioritizes building a values-based, inclusive workplace culture that celebrates diversity and enables everyone to be their best selves to drive the business. The emphasis on giving back to the communities where the Company operates is reflected in foundation programs on community wellness, including racial justice, youth development and education, and sustainability; disease prevention; and disaster relief and preparedness. In support of those efforts, Clorox contributed about $20 million in combined foundation and corporate cash grants, product donations, and cause marketing in fiscal year 2021.

Clorox's IGNITE strategy accelerates innovation in key areas to drive growth and deliver value for both the Company's shareholders and society. Specifically, IGNITE focuses on four strategic choices to sustain long-term, profitable growth: Fuel Growth, Innovate Experiences, Reimagine Work and Evolve Portfolio. Integrated goals for environmental, social and governance performance are focused in the areas of Healthy Lives, Clean World and Thriving Communities.

In fiscal year 2021, the Company delivered net sales growth of 9%, and a 24% decrease in diluted net earnings per share (EPS) in a macroeconomic environment that continued to be dominated by significantly higher demand for essential household products, especially cleaning and disinfecting products, as a result of COVID-19. Other conditions factoring into the dynamic environment included high levels of competition in select categories, supply challenges, uncertainty related to the global pandemic, persistently high manufacturing and logistics costs, and rising commodity costs.

The Company continued to focus on driving profitable sales growth in its U.S. business, leveraging strong demand-building investments, including product innovation to support category growth and market share. The Company launched new products in many categories in fiscal year 2021, including Clorox disinfecting wet mopping cloths; Clorox disinfecting all-purpose spray cleaner; Clorox Turbo handheld power sprayers; Clorox TurboPro disinfectant cleaners; Glad with Clorox trash bags; Kingsford wood pellets; Brita Longlast+ water filters; Brita water bottles in new colors; Fresh Step with Gain original scent cat litter with the power of Febreze; Fresh Step Clean Paws Simply Unscented cat litter; Hidden Valley Secret Sauce golden flavor; Hidden Valley Original Ranch Plant Powered topping and dressing; and Burt's Bees Squeezy tinted balm. Production of some recent innovation that had been temporarily suspended during the pandemic, such as Clorox compostable cleaning wipes and Clorox Scentiva products, were relaunched toward the end of the fiscal year.

In international markets, the Company delivered volume and sales growth, largely resulting from sustained demand for cleaning and disinfecting products as well as other essential household products as a result of COVID-19. Since cleaning and disinfecting products account for more than half of the segment's sales and due to changes in consumer behavior around the world with greater focus on health as a result of the COVID-19 pandemic, consumer demand continues to be high. Supported by a dedicated supply chain, Clorox expanded its disinfecting wipes business geographically in international markets during fiscal year 2021.

In June 2021, Clorox announced an increase of 5% in its quarterly dividend. In fiscal year 2021, the Company paid $558 million in dividends to stockholders.

Finally, in fiscal year 2021, Clorox continued to make progress on its environmental, social and governance (ESG) goals that are integrated into the IGNITE strategy and throughout the business. Notably, the Company achieved 100% renewable electricity for U.S. and Canada operations in January 2021 – four years earlier than initially planned. Efforts to reduce packaging waste, promote product stewardship, support employee and consumer well-being, and drive inclusion and diversity also made meaningful advancements, while several brands also announced their own sustainability goals. Clorox also became a signatory to the Ellen MacArthur Foundation's New Plastics Economy Global Commitment. The Company has been broadly recognized for its corporate responsibility efforts, included on the Barron's 2020 100 Most Sustainable Companies list, 2021

Bloomberg Gender-Equality Index, the Human Rights Campaign's 2021 Corporate Equality Index and the 2021 Parity.org Best Places for Women to Advance list, among others.

In fiscal year 2022, the Company anticipates ongoing challenges that may impact its sales and margins, including continued uncertainty related to the COVID-19 pandemic, rising commodity costs, evolving consumer behaviors, high levels of competition in select categories, a more competitive and evolving retail environment, persistently high manufacturing and logistics costs, changes in foreign currency exchange rates, and an uncertain macroeconomic environment in the U.S. and in many international markets.

As announced in August 2021, a significant long-term investment in digital capabilities and productivity enhancements will shape the Company's outlook for fiscal year 2022 and beyond. Clorox plans to invest approximately $500 million over the next five years, including about $90 million in fiscal year 2022, on these operating and capital expenditures. The savings realized from the program will generate efficiencies and better position the Company in supply chain, digital commerce, innovation and brand building over the long term.

For additional information on recent business developments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Exhibit 99.1, incorporated herein by reference.

Financial Information About Operating Segments and Principal Products

The Company operates through strategic business units (SBUs) that are also the Company's operating segments. These SBUs are then aggregated into four reportable segments: Health and Wellness, Household, Lifestyle and International. These four reportable segments consist of the following:

- *Health and Wellness* consists of cleaning products, professional products, and vitamins, minerals and supplement products mainly marketed and sold in the U.S. Products within this segment include cleaning products such as laundry additives and home care products, primarily under the Clorox®, Clorox2®, Scentiva®, Pine-Sol®, Liquid-Plumr®, Tilex®, and Formula 409® brands; professional cleaning and disinfecting products under the CloroxPro™, Clorox Healthcare®, and Clorox® Total 360® brands; professional food service products under the Hidden Valley® brand; and vitamins, minerals and supplement products under the RenewLife®, Natural Vitality®, NeoCell®, and Rainbow Light® brands.

- *Household* consists of cat litter products, bags and wraps, and grilling products marketed and sold in the U.S. Products within this segment include cat litter products under the Fresh Step®, Scoop Away® and Ever Clean® brands, bags and wraps under the Glad® brand; and grilling products under the Kingsford® and Kingsford® Match Light® brands.

- *Lifestyle* consists of food, natural personal care products, and water-filtration marketed and sold in the U.S. Products within this segment include dressings, dips, seasonings and sauces, primarily under the Hidden Valley® brand; natural personal care products under the Burt's Bees® brand; and water-filtration systems and filters under the Brita® brand.

- *International* consists of products sold outside the U.S. Products within this segment include laundry additives; home care products; water-filtration systems and filters; digestive health products; grilling products; cat litter products; food products; bags and wraps; natural personal care products; and professional cleaning and disinfecting products marketed primarily under the Clorox®, Ayudin®, Clorinda®, Poett®, Pine-Sol®, Glad®, Brita®, RenewLife®, Ever Clean® and Burt's Bees® brands.

The Company's products are marketed and sold globally. The following table provides the Company's global product lines, which were sold in the U.S. (including products sold in the Professional Products SBU) and International, that accounted for 10% or more of consolidated net sales for the fiscal years ended June 30:

	2021	2020	2019
Cleaning products	43 %	43 %	40 %
Bags and wraps	14 %	15 %	16 %
Food products	10 %	10 %	10 %

Principal Markets and Methods of Distribution

In the U.S., most of the Company's products are nationally advertised and sold to mass retailers, grocery outlets, warehouse clubs, dollar stores, home hardware centers, military stores and other retail outlets primarily through a direct sales force; to grocery stores and grocery wholesalers primarily through a combination of direct sales teams and a network of brokers; and through e-commerce retailers. The Company also sells many of its products through alternative retail channels, including hard discounters, subscription services and buying clubs. Some brands are sold using the direct-to-consumer model. The Company sells institutional, janitorial, food-service and healthcare products through a direct sales force and a network of brokers to distributors and redistributors. Outside the U.S., the Company sells products to the retail trade through subsidiaries, licensees, distributors and joint-venture arrangements with local partners.

Sources and Availability of Raw Materials

The Company purchases raw materials from numerous unaffiliated U.S. and international suppliers, some of which are sole-source or single-source suppliers. Interruptions in the delivery of these materials could adversely impact the Company. Key raw materials used by the Company include resin, non-woven fabrics for wipes products, sodium hypochlorite, corrugated cardboard, soybean oil, solvent, derivatives of amines and other chemicals and agricultural commodities. Sufficient raw materials were generally available during fiscal year 2021. Due primarily to weather and COVID-19 related supply chain disruptions combined with increased demand as the economy re-opens, limited supply constraints and commodity costs increases for certain raw materials and finished goods were experienced. The Company expects continued volatility and increased cost pressures in both commodities and transportation to continue in fiscal year 2022.

The Company generally utilizes supply contracts to help ensure availability and a number of forward-purchase contracts to help reduce the volatility of the pricing of raw materials needed in its operations. However, the Company is highly exposed to changes in the prices of commodities and transportation used in manufacturing and shipping of its products. For further information regarding the impact of changes in commodity prices, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1, "Risk Factors – Volatility and increases in the costs of raw materials, energy, transportation, labor and other necessary supplies or services have negatively impacted, and may continue to negatively impact, the Company's net earnings and cash flow" and "Risk Factors – Supply chain issues as a result of a reliance on a limited base of suppliers or the COVID-19 pandemic may result in product shortages or disruptions to the Company's business" in Item 1.A.

Patents and Trademarks

Most of the Company's brand name consumer products are protected by registered trademarks. The Company's brand names and trademarks are highly important to its business, and the Company vigorously protects its trademarks from apparent infringements. Maintenance of brand equity value is critical to the Company's success. The Company's patent rights are also material to its business and are asserted, where appropriate, against apparent infringements.

Seasonality

Most sales of the Company's grilling products occur during the months of March through September each calendar year. The volume and sales of grilling products may be affected by weather conditions.

Customers

Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 25% of consolidated net sales for the fiscal years ended June 30, 2021, 2020 and 2019, and occurred across all of the Company's reportable segments. No other individual customer accounted for 10% or more of the Company's consolidated net sales in any of these fiscal years. The Company's five largest customers accounted for nearly half of the Company's consolidated net sales for each of the fiscal years 2021, 2020 and 2019.

Competition

The markets for consumer products are highly competitive. The Company's products compete with other nationally advertised brands and with "private label" brands within each category. Competition comes from similar and alternative products, some of which are produced and marketed by major multinational or national companies having financial resources greater than those of the Company. In addition, the Company faces competition from retailers, including club stores, grocery stores, drugstores, dollar stores, mass merchandisers, e-commerce retailers and subscription services. Furthermore, as the Company currently experiences increased demand for many of its products, especially its disinfecting products, in response to COVID-19, it expects heightened competitive activity from strong local competitors, other large multinational companies, and new entrants into the market in many of its categories, especially the disinfecting category. The Company's products generally compete on the basis of product performance, brand reputation and recognition, image and price. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising support. If a product gains consumer acceptance, it typically requires continued advertising and promotional support and ongoing product innovation to maintain its relative market position. For further information regarding the intense competition the Company faces, see "Risk Factors – The Company faces intense competition in its markets, which could lead to reduced net sales, net earnings and cash flow" in Item 1.A.

Environmental Matters

For information regarding noncapital expenditures related to environmental matters, see the discussions below under "Risk Factors – Environmental matters create potential liabilities that could adversely affect the Company's financial condition and results of operations" in Item 1.A. No material capital expenditures relating to environmental compliance are presently anticipated.

HUMAN CAPITAL MANAGEMENT

Purpose

The Clorox Company is led by our purpose to champion people to be well and thrive every single day – from our employees to the consumers and communities we serve around the world.

Launched in 2019, the IGNITE strategy accelerates innovation in key areas to drive growth and deliver value through a focus on four strategic choices over the long term: Fuel Growth, Innovate Experiences, Reimagine Work and Evolve the Portfolio. Goals for ESG performance in our pillars of Healthy Lives, Clean World and Thriving Communities also are integrated into the strategy.

Employees

As of June 30, 2021, the Company employed about 9,000 people worldwide, with 71% in the U.S. and 29% working in our international locations. Our U.S. workforce includes 50% nonproduction employees and 50% production employees, while our international workforce includes 55% nonproduction employees and 45% production employees.

Values-Based Culture

As a Company, we are guided by core beliefs that represent who we are, how we conduct our business and our expectations for our people and business partners. Our values also reinforce our focus on delivering growth and inform how we treat and care for our employees.

Company Values

Do the Right Thing: It's bigger than any one of us, yet it starts with each of us. We lead with integrity, and we earn trust – in every moment and with every choice. We are hungry to grow our business and believe that winning only counts if it's done in the right way.

Put People at the Center: We genuinely care about people. So, we understand the impact of our words and actions and feel a responsibility to deliver for our consumers, customers, teammates and communities. We meet our commitments, put health and safety first and strive for a just and inclusive world.

Play to Win: We set the pace for growth in each of our categories. We reimagine the game and are each hungry to do more, think bigger, and execute better. It feels like a punch to the gut when we lose. We have high aspirations and the grit to take on big challenges, so we move forward together with courage and resilience in the face of obstacles.

Inclusion and Diversity

People are critical to our efforts to drive growth and deliver value for shareholders, which is reflected in the strategic pillars of our IGNITE strategy. One of the ways we have put people at the center is by continuing to work toward a more inclusive and diverse workplace where each person feels respected, valued and seen and can be the best version of themselves – from women and people of color to LGBTQ+ and veterans, among others. With employees, management and directors representing the diversity of consumers we serve around the world, we are able to access stronger insights into different cultures and backgrounds, which ultimately helps us better address consumer needs. About a dozen employee resource groups reflecting the diverse demographics of our workforce also provide important perspectives through ongoing learning and dialogue with businesses and the Company as a whole on a variety of issues related to marketing, inclusion, diversity and racial justice.

As of June 30, 2021, people of color[1] represented 38% of U.S. nonproduction employees, 31% of U.S. nonproduction managers and 42% of U.S. production employees. Women made up 52% of our global nonproduction employees and 46% of our global nonproduction managers. Clorox's first female CEO, Linda Rendle, was promoted to lead the Company in September 2020. Additionally, 42% of our board is female and 33% are people of color, with our Nominating, Governance and Corporate Responsibility Committee and our Audit Committee chaired by people of color. In addition, the Clorox Executive Committee is composed of 50% women and 25% people of color.

Based on our Inclusion and Diversity strategy, we have helped promote a greater sense of inclusion through a variety of initiatives.

In fiscal year 2021, our CEO renewed the Company's commitment to CEO Action for Diversity, reflecting a personal pledge to advancing inclusion and diversity. Clorox was also included in the 2021 Bloomberg Gender Equality Index, which measures gender equality across the pillars of female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies, and pro-women brand.

Hiring, Development and Retention

We look to attract and retain the best talent to help the Company deliver against our strategy and commitments. We prioritize career growth and leadership development because growing our talent and building our capabilities supports our retention efforts and helps us establish a strong foundation for long-term success. Our investments include a suite of training and education for people managers to help them become effective coaches and leaders, mentoring programs and initiatives to help build a pipeline of diverse talent, such as recruiting events developed with our employee resource groups, our Future@CLX leadership program for first-year college students, and partnerships with third-party organizations that work to advance equity and opportunity for protected classes. We also conduct a robust talent review and leader succession planning process annually to ensure a strong pipeline for key roles.

[1] Management defines people of color (POC) as any race that is not White (Asian; Black; Latino; Native American; Native Hawaiian; or two or more races.) Percentage of people of color is based on self-reported demographic information.

Employee Engagement

We implement an ongoing listening strategy, which includes annual and more frequent pulse surveys. We also survey our employees on their engagement to gauge their perception of the Company as a place to work as well as their views of leadership, understanding of our IGNITE strategy, and sense of inclusion. In fiscal year 2021, we continued to have high employee engagement of 87%, compared to the 85% Fortune 500 score at the 75th percentile – putting us in the top quartile among those companies[2]. The employee engagement surveys are part of our continuous improvement mindset around building an engaging culture at Clorox.

Employee Safety and Well-Being

As a health and wellness company, the Company takes a holistic approach to caring for our employees, with benefits and programs designed to support physical, mental, emotional and financial well-being.

Our focus on safety is an example of how we put people at the center and signified by our commitment to the well-being of our people built into our IGNITE strategy. We fulfill that pledge through a combination of education, training and related policies, while also operating in compliance with applicable regulations, including OSHA guidelines in the U.S.. This approach was particularly important as the Company continued to navigate the global pandemic and implemented enhanced safety protocols across our facilities, including preventive detection measures, contact tracing, frequent cleaning and sanitizing, required use of personal protective equipment, adjustment of work schedules to reduce exposure, and retention of medical experts to advise us on plant practices and procedures. In fiscal year 2021, the Company's reportable incident rate (RIR) was 0.26, significantly lower than the 3.3 average RIR for goods-producing manufacturing companies in 2019, which is the latest available data from the U.S. Bureau of Labor Statistics[3].

The Company continued to support employee well-being during the global pandemic by offering additional physical and mental health benefits, including supplemental emergency paid time off, 100% coverage of COVID-19 testing and treatment, and a $1 million employee relief fund as well as enhanced mental health and dependent care resources. The Company also provided ongoing health and safety education, including bringing in experts on mental health and COVID-19 vaccines.

To support our people's financial well-being, the Company provides competitive compensation – including short- and long-term incentives – to attract and retain top talent. Our pay-for-performance philosophy and commitment to pay equity helps ensure our compensation is fair and rewards employees for their contributions. In addition, as part of our ESG commitments, we support our employees' retirement readiness by offering third-party financial planning services and a 401(k) plan that is above market relative to the industry average, with the Company contributing up to 10% of an employee's salary.

Societal Well-Being

The Company remains committed to a healthy and equitable society to ensure our collective well-being for future generations. In the past year, we provided cash grants and product donations while also implementing cause marketing programs totaling about $20 million to support our communities and promote health and safety, education and racial justice.

Available Information

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act are available on the Company's website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at TheCloroxCompany.com under Investors/Financial Information/SEC Filings. Additionally, the Company routinely posts additional important information, including press releases, on its website and recognizes its website as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under Regulation FD. Accordingly, investors should monitor our website in addition to our SEC filings and public webcasts. These items are available at TheCloroxCompany.com under Investors/Investor News and Events.

Information relating to corporate governance at Clorox, including the Company's Code of Conduct, the Clorox Company Board of Directors Governance Guidelines and Board Committee charters for the Management Development and Compensation Committee, the Audit Committee, and the Nominating, Governance and Corporate Responsibility Committee, is available at TheCloroxCompany.com under Who We Are/Corporate Governance or https://www.thecloroxcompany.com/who-we-are/corporate-governance/. The Company will provide any of the foregoing information without charge upon written request to Corporate Communications, The Clorox Company, 1221 Broadway, Oakland, CA 94612-1888. The information contained on the Company's website is not included as a part of, or incorporated by reference into, this Report.

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[2] Employee engagement surveys may vary across companies on a year-to-year basis.

[3] Our FY21 RIR of 0.26 means that for every 100 full-time equivalent Clorox employees globally we averaged less than one reportable incident during the past year. The criteria used to determine RIR follows the U.S. Department of Labor's Occupational Safety and Health Administration guidelines and is applied globally.

ITEM 1.A. RISK FACTORS

The risks and uncertainties set forth below, as well as other factors described elsewhere in this Report or in other filings by the Company with the SEC, could adversely affect the Company's business, financial condition and results of operations. Additional risks and uncertainties that are not currently known to the Company or that are not currently believed by the Company to be material may also harm the Company's business, financial condition and results of operations.

Business and Industry Risks

The Company faces intense competition in its markets, which could lead to reduced net sales, net earnings and cash flow.

The Company faces intense competition from consumer product companies both in the U.S. and in its international markets. Most of the Company's products compete with other widely advertised, promoted and merchandised brands within each product category. The Company also faces competition from retailers, including club stores, grocery stores, drugstores, dollar stores, mass merchandisers, e-commerce retailers and subscription services, which are increasingly offering "private label" brands that are typically sold at lower prices and compete with the Company's products in certain categories. Increased purchases of "private label" products or other lower cost priced brands could reduce net sales of the Company's higher-margin products or there could be a shift in product mix to lower-margin offerings, which would negatively impact our margins. The Company's products generally compete on the basis of product performance, brand reputation and recognition, image and price. Advertising, promotion, merchandising and packaging also have significant impacts on consumer purchasing decisions, and the Company is increasingly using digital media marketing and promotional programs to reach consumers. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising. If a product gains consumer acceptance, it typically requires continued advertising, promotional support and product innovations to maintain its relative market position. If the Company's advertising, marketing and promotional programs, including its use of digital media to reach consumers, are not effective or adequate, the Company's net sales may be negatively impacted.

Some of the Company's competitors are larger than the Company and have greater financial resources. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Company can. In addition, as the Company currently experiences elevated demand for many of its products, especially its disinfecting products, it expects continued heightened competitive activity from strong local competitors, other large multinational companies, and new entrants into the market in many of its categories, especially the disinfecting category. The Company expects such activities to include more aggressive product claims and marketing challenges, increased promotional spending and geographic expansion, and marketing of new disinfecting products. It expects promotional activities to increase as retailers try aggressively to get consumers back into their stores after prolonged "stay at home" and other government restrictions continue to ease. Furthermore, the Company's competitors may attempt to gain market share by offering products at prices at or below those typically offered by the Company. Competitive activity may require the Company to increase its spending on advertising and promotions and/or reduce prices, which could lead to reduced sales, margins and/or net earnings.

The changing retail environment and changing consumer preferences could adversely affect the Company's business, financial condition and results of operations.

The Company's sales are largely concentrated in the traditional retail grocery, mass retail outlet, warehouse club and dollar store channels, in addition to e-commerce channels. However, the retail environment continues to evolve, and may change to a more significant extent or at a faster pace in light of the COVID-19 pandemic with a greater consumer emphasis on health and wellness, and this could significantly change the way traditional retailers do business. Alternative retail channels, including hard discounters, subscription services and buying clubs, have become more prevalent and popular. In addition, a growing number of alternative sales channels and business models, such as niche brands, native online brands, private label and store brands, direct-to-consumer brands and channels and discounter channels, have emerged in the markets we serve. In particular, the growing presence of, and increasing sales through, e-commerce retailers have affected, and may continue to affect, consumer preferences (as consumers increasingly shop online, including in response to the COVID-19 pandemic) and market dynamics, including any pricing pressures for consumer goods as retailers face added costs to build their e-commerce capacity. These trends have been magnified due to the COVID-19 pandemic in many of our geographies. Further, consumer preferences continue to evolve due to a number of factors, including fragmentation of the consumer market and changes in consumer demographics, which includes the aging of the general population and the emergence of millennial and younger generations who have different spending, consumption and purchasing habits; evolving consumer concerns or perceptions regarding ESG practices of manufacturers, including the sourcing and sustainability of packaging materials, such as single-use plastics; a growing demand for natural or organic products and ingredients; evolving consumer concerns or perceptions (whether accurate or inaccurate) regarding the effects of ingredients or substances present in certain consumer products; and changing consumer sentiment toward non-local products or sources. If we are not successful in continuing to adapt to changing consumer preferences and market dynamics or expanding sales through e-commerce retailers or alternative retail channels, our business, financial condition and results of operations may be negatively impacted. In addition, e-commerce and alternative retail channels may create significant pricing pressures for consumer goods, presenting additional challenges to increasing prices in response to commodity or other cost increases in all of the channels into which the Company sells. If these e-commerce and alternative retail channels were to take significant market share away from traditional retailers and/or the Company is not successful in these channels or business models, our margins and results of operations may be materially and negatively impacted.

The currently evolving situation related to the COVID-19 pandemic could adversely affect the Company's business, financial condition and results of operations.

The ongoing COVID-19 pandemic, including the emergence of variants for which vaccines may not be effective, may negatively affect our business by causing or contributing to, among other things:

- Significant disruptions in our business operations and in the ability of significant third-party vendors, manufacturing and other business or commercial partners, including customers, to meet obligations to us.
- Significant decrease or volatility in sales of or demand for our significant products due to, among other things: closure or reduced operating hours of our key customers; consumer inability to purchase our products due to prolonged inventory shortages, illness or government implemented restrictions and any resulting changes in consumer preference; reduced availability of certain products as we prioritize the production of other products due to increased demand; decreased future demand due to recent customer or consumer stockpiling of products or increased consumer mobility as other government restrictions continue to ease; any negative reputational impact resulting from our new partnerships in industries involving shared space or an adverse perception of our pandemic response, perceived price gouging effected or product recommendations made by third parties that we do not control; changes in retailer or distributor restocking or fulfillment practices; or worldwide, regional and local adverse economic and financial market conditions, including increased risk of inflation.
- Significant U.S. or international governmental actions, or other limitations or restrictions, including restrictions on the ability of our employees, suppliers, customers or third-party partners to travel or perform necessary business functions or our ability to manufacture, ship, distribute, market or sell our products.

In addition, we have experienced higher costs in certain areas as a result of COVID-19 such as transportation and logistics and production employee compensation, as well as incremental costs associated with newly-added health screenings and enhanced cleaning and sanitation protocols to protect our employees at our facilities, which may continue, increase or become necessary in these or other areas. The extent of COVID-19's effect on our operational and financial performance in the future will depend on future developments, including the duration, spread and intensity of the pandemic, our continued ability to manufacture and distribute our products, any future government actions affecting consumers and the economy generally, changing economic conditions and any resulting inflationary impacts, as well as timing and effectiveness of global vaccines, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. Although the potential effects that COVID-19 may continue to have on the Company are not clear, such impacts could materially adversely affect the Company's business, financial condition and results of operations.

Dependence on key customers could adversely affect the Company's business, financial condition and results of operations.

A limited number of customers account for a large percentage of the Company's net sales. Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 25% of consolidated net sales for the fiscal years ended June 30, 2021, 2020 and 2019, and occurred across all of the Company's reportable segments. The Company's five largest customers accounted for nearly half of the Company's consolidated net sales for each of the fiscal years 2021, 2020, and 2019 and a significant portion of the Company's future revenues may continue to be derived from a small number of customers. As a result, changes in the strategies of the Company's largest customers, including a reduction in the number of brands they carry, a shift of shelf space to "private label" or competitors' products or a decision to lower pricing of consumer products, including branded products, may harm the Company's net sales or margins, and reduce the ability of the Company to offer new, innovative products to consumers. In addition, the use of the latest technology by our customers regarding pricing may lead to category pricing pressures. Consistent with the ongoing variability in information technology systems industry-wide, our information technology platforms may not be fully compatible at all times with those used by our customers. Therefore, it may or may not have an impact on our ability to respond to customer demands specific to data or technology. Furthermore, any loss of a key customer or a significant reduction in net sales to a key customer, even if such loss or reduction relates to a key customer of a business unit of the Company, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. If the Company does not effectively respond to the demands of its customers, they could decrease their purchases from the Company, causing the Company's net sales and net earnings to decline. Furthermore, unfavorable market conditions or competitive pressures may cause the Company's customers to reevaluate the number and mix of brands they sell, resulting in lower purchases of the Company's products by these customers. We regularly review the financial strength of our key customers and, where appropriate, modify customer credit limits, which may have an adverse impact on future sales.

With the growing trend towards retailer consolidation, both in the U.S. and internationally, the rapid growth of e-commerce and the integration of traditional and digital operations at key retailers, we are increasingly dependent on certain retailers. This trend, which has been magnified due to the COVID-19 pandemic, has resulted in the increased size and influence of large consolidated retailers, who have in the past changed, and may in the future change, their business strategies, demand lower pricing, or higher trade discounts or impose other burdensome requirements on product suppliers or move away from branded products to "private label". These large consolidated companies could also exert additional competitive pressure on the Company's other customers, which could in turn lead to such customers demanding lower pricing, higher trade discounts or special packaging or imposing other onerous requirements on the Company. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease due to customer inventory reductions or otherwise, the Company's business, financial condition and results of operations may be harmed.

Sales growth objectives may be difficult to achieve, the Company may not be able to successfully implement price increases, and market and category declines and changes to the Company's product and geographic mix may adversely impact the Company's financial condition and results of operations.

A large percentage of the Company's revenues comes from mature markets that are subject to high levels of competition. During fiscal year 2021, 85% of the Company's net sales were attributable to U.S. markets, including U.S. territories. The Company's ability to achieve sales growth depends on its ability to drive growth through innovation, including as part of its IGNITE Strategy, expand into new products and categories, channels and countries, invest in its established brands and enhanced merchandising, grow categories with retailers and capture market share from competitors. The Company's ability to achieve sales growth also depends on foreign currency fluctuations. A weakening of foreign currencies in which sales are generated relative to the Company's reporting currency (U.S. dollars) would decrease net sales. The Company is implementing price increases and may implement additional price increases in the future, which may slow sales growth or create volume declines in the short term as customers and consumers adjust to these price increases. In addition, our competitors may or may not take competitive actions, which may lead to sales declines and loss of market share. If the Company is unable to increase market share in existing product lines, develop product innovations, undertake sales, marketing and advertising initiatives that grow its product categories and/or develop, acquire or successfully launch new products or brands, it may not achieve its sales growth objectives. Furthermore, a general decline in the markets for certain product categories has had and may in the future have a negative impact on the Company's financial condition and results of operations. In addition, changes to the mix of products that the Company sells, as well as the mix of countries in which its products are sold, may adversely impact the Company's net sales, profitability and cash flow.

Acquisitions, new venture investments and divestitures may not be successful, which could have an adverse effect on the Company's business, financial condition and results of operations.

In connection with the Company's strategy, the Company expects to continue to seek acquisition, joint venture and investment opportunities. However, the Company may not be able to identify and successfully negotiate suitable strategic transactions at attractive prices. In addition, an increase in regulatory restrictions or continued market volatility could hinder the Company's ability to execute strategic business activities including any acquisitions or investments. Furthermore, all acquisitions and investments entail numerous risks, including risks relating to the Company's ability to:

- successfully integrate acquired companies, brands, products, technologies, systems or personnel into the Company's existing business operations in an effective, timely and cost efficient manner;
- maintain uniform standards, controls, procedures and policies throughout acquired companies, including effective integration of acquired companies into the Company's internal control over financial reporting;
- successfully enter categories and markets in which the Company may have limited or no prior experience;
- achieve expected synergies and obtain the desired financial or strategic benefits from acquisitions within the anticipated time periods, if at all;
- achieve distribution expansion related to products, categories and markets from acquisition and retain key relationships of acquired companies;
- identify and manage any legal or reputational risks that may predate or be associated with a transaction, which could negatively impact the Company following the consummation of such transaction; and
- manage other unanticipated problems or liabilities.

Acquired companies or operations, joint ventures or investments may not be profitable or may not achieve sales levels and profitability and cash flow expectations. Furthermore, acquisitions or ventures could also result in dilutive issuances of equity securities, the incurrence of debt, the assumption of contingent liabilities, such as those relating to advertising claims, environmental issues and litigation, an increase in expenses related to intangible assets, including trademarks and goodwill, and increased operating expenses, all of which could adversely affect the Company's financial condition and results of operations. Future acquisitions of foreign companies or new foreign ventures would subject the Company to local regulations and could potentially lead to risks related to, among other things, increased exposure to foreign exchange rate changes, tax or labor laws, government price control, repatriation of profits and liabilities relating to the Foreign Corrupt Practices Act. In addition, to the extent that the economic benefits associated with any of the Company's acquisitions or investments diminish in the future or the performance of such acquired companies is less robust than expected, the Company may be required to record impairment charges, such as the $329 million pre-tax non-cash impairment charge that the Company recorded during the third quarter of fiscal year 2021, as a result of an adjustment to the carrying values of goodwill, trademarks and other assets in the Better Health Vitamins, Minerals and Supplements (VMS) business. Any impairment charges could adversely affect the Company's financial condition and results of operations.

The Company has divested and may, in the future, divest certain assets, businesses or brands. With respect to any potential future divestiture, the Company may encounter difficulty finding potential acquirers or other divestiture options on favorable terms. Any future divestiture could affect the profitability of the Company as a result of the gains or losses on such sale of a business or brand, the loss of the operating income or sales resulting from such sale or the costs or liabilities that are not assumed by the acquirer that may negatively impact profitability and cash flow subsequent to any divestiture. The Company may also be required to recognize impairment charges or other losses as a result of a divestiture.

In addition, any potential future acquisitions, new ventures or divestitures may divert the attention of management and resources from other business priorities. The occurrence of any of these risks or uncertainties may have a material adverse effect on the Company's business, financial condition and results of operations.

Harm to the Company's reputation or the reputation of one or more of its leading brands or products could have an adverse effect on the business, financial condition and results of operations.

Maintaining a strong reputation with consumers, customers and trade and other third party partners is critical to the success of the Company's business. The Company devotes significant time and resources to training programs, relating to, among other things, ethics, compliance and product safety and quality, as well as sustainability goals, and has published ESG goals, including relating to environmental impact and sustainability and inclusion and diversity, as part of its IGNITE Strategy. Despite these efforts or if the Company is not successful in achieving its goals, provides materially inaccurate information, or receives negative publicity about the Company, including relating to product safety, quality, efficacy, ESG or similar issues, whether real or perceived, could occur. In addition, the Company's products could face withdrawal, recall or other quality issues, which could lead to decreased demand for and reputational damage to the related brands. In particular, the Company's dietary supplement and related products are highly dependent on consumers' perception of the efficacy, safety and quality of our products, and may be supported by only a limited number of conclusive clinical studies. Newly published clinical studies and emerging studies could prove or allege that ingredients in our dietary supplement products or the products themselves (or similar products of other companies) are ineffective or harmful to consumers. The Company also licenses certain of its brands to third parties, and, with the increase in demand for public disinfecting and cleaning products due to the COVID-19 pandemic, the Company has increased its focus on partnering with, or licensing its intellectual property to, companies in industries involving shared space, and may partner with other companies, to provide disinfecting products and cleaning education and protocols, and to leverage its related brands. Such licenses and partnerships may create additional exposure for those brands to product safety, quality, sustainability and other concerns.

Widespread use of social media and networking sites by consumers has greatly increased the accessibility and speed of dissemination of information. Negative publicity, posts or comments about the Company, its brands, its products, its marketing activities, whether accurate or inaccurate, or disclosure of non-public sensitive information about the Company, could be widely disseminated through the use of social media or in other formats. Additionally, marketing initiatives may not have the desired effect on a brand's or product's image. Such events, if they were to occur, could harm the Company's image and adversely affect its business, financial condition and results of operations, as well as require resources to rebuild the Company's reputation.

The Company may not successfully introduce new products and line extensions, or expand into adjacent categories and countries, which could adversely impact its financial condition and results of operations.

The Company's future performance and growth depends on innovation and its ability to successfully develop or license capabilities to introduce new products, brands, line extensions and product innovations or enter into or expand into adjacent product categories, sales channels or countries. The Company's ability to anticipate changes in consumer preferences and quickly innovate in order to adapt its products to meet changing consumer demands is essential, especially in light of the reduction in barriers for even small competitors to quickly introduce new brands and products directly to consumers that e-commerce permits. This risk is further heightened by the continued evolution of consumer needs, habits and preferences as a result of shifts in U.S. demographics, reflecting various factors including cultural and socioeconomic changes. The Company cannot be certain that it will successfully achieve its innovation goals. New product development and marketing efforts, including efforts to enter markets or product categories in which the Company has limited or no prior experience, not only incur substantial capital expenditures but also contain inherent risks. These risks include product development or launch delays, which could result in the Company not being first to market, and the failure of new products, brands and line extensions to achieve anticipated levels of market acceptance. If product introductions are not successful, costs associated with these efforts may not be fully recouped and the Company's net earnings could be adversely affected. In addition, if sales generated by new products cause a decline in sales of the Company's existing products, the Company's business, financial condition and results of operations could be materially adversely affected.

The performance of strategic alliances and other business relationships could adversely affect our business, reputation, financial condition and results of operations.

We enter into strategic alliances and other business relationships, such as relationships in connection with the co-development of products or devices, or promotion and sales relationships with companies in industries operating in public spaces. These relationships may not generate the level of sales we anticipate when entering into the relationship or may otherwise adversely impact our business, reputation, financial condition and results of operations. Furthermore, such relationships have and, in the future, could create additional exposure to litigation, investigations, disputes or other proceedings, as well as product safety, quality, sustainability and other concerns.

Loss of, or inability to attract, key personnel could adversely impact the Company's business.

The Company's success depends, in part, on its continuing ability to identify, hire, develop and retain highly qualified and diverse personnel. The labor market for these employees is very competitive, and wages and compensation costs continue to increase. We compete to attract talent within and outside of our industry for high demand skills that are scarce in key geographic areas such as the San Francisco Bay Area. The Company may not be able to attract or retain qualified personnel in the future. Related activities to identify, hire and onboard qualified talent at increasing compensation costs may require significant time and expense which could further adversely affect the Company's operations and financial results. The Company's success also depends on its ability to retain its key personnel, including its executive officers and senior management team, and to continue to implement its succession plans for senior management and other key employees. The unexpected loss or unavailability of one or more of the Company's key leaders could disrupt its business.

Operational Risks

Volatility and increases in the costs of raw materials, energy, transportation, labor and other necessary supplies or services have negatively impacted, and may continue to negatively impact, the Company's net earnings and cash flow.

Volatility and increases in the costs of raw materials, including resin, non-woven fabrics for wipes products, sodium hypochlorite, corrugated cardboard, soybean oil, solvent, derivatives of amines, and other chemicals and agricultural commodities, and increases in the cost of energy, transportation, labor and other necessary supplies or services, for commercial, economic or other reasons including as caused by inflationary pressures, have harmed, and may continue to harm, the Company's results of operations. We distribute our products and receive raw materials primarily by rail and truck. Reduced availability of rail or trucking capacity and labor shortages have caused, and could continue to cause, us to incur unanticipated expenses. In particular, reduced trucking capacity due to shortages of drivers, as a result of the COVID-19 pandemic, and a federal regulation requiring drivers to electronically log their driving hours, among other reasons, have caused an increase in the cost of transportation for us and our suppliers. If such increases occur or exceed the Company's estimates and the Company is not able to increase the prices of its products or achieve cost savings to offset such cost increases, its results of operations would be harmed. In addition, even if the Company increases the prices of its products in response to increases in the cost of commodities or other cost increases, it may not be able to sustain its price increases. Sustained price increases may lead to declines in volume as competitors may not adjust their prices or customers may decide not to pay the higher prices, which could lead to sales declines and loss of market share, and the Company's projections may not accurately predict the volume impact of price increases, which could adversely affect its business, financial condition and results of operations.

To reduce the cost volatility associated with anticipated purchases of certain commodities, the Company uses derivative instruments, including commodity futures and swaps. The extent of the Company's derivative position at any given time depends on the Company's assessment of the markets for these commodities, the cost volatility in the markets and the cost of the derivative instruments. Many of the commodities used by the Company in its products do not have actively traded derivative instruments. If the Company does not or is unable to take a derivative position and costs subsequently increase, or if it executes a position and costs subsequently decrease, the Company's costs may be greater than anticipated or higher than its competitors' costs and the Company's financial results could be adversely affected. For further information regarding the Company's use of derivative instruments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1.

Supply chain issues may result in product shortages or disruptions to the Company's business.

The Company has a complex global network of suppliers that has recently expanded to meet increased customer demand and may, in the future, further evolve in response to market conditions. The Company also relies on a number of sole-source and single-source suppliers for certain commodities and raw material inputs, including packaging, product components, finished products and other necessary supplies. The Company could experience material disruptions in production and other supply chain issues, including as a result of supply chain dependencies, which could result in out-of-stock conditions, and its results of operations and relationships with customers could be adversely affected if new or existing suppliers are unable to meet any standards set by the Company, government or industry regulations, or the Company's customers, if the Company is unable to contract with suppliers at the quantity, quality and price levels needed for its business, if any of the Company's key suppliers becomes insolvent, ceases or significantly reduces its operations or experiences financial distress, or if any environmental, economic or other outside factors impact its operations. The Company also requires new and existing suppliers to meet its ethical and business partner standards. Suppliers may also have to meet governmental and industry standards and any relevant standards required by the Company’s customers, which may require additional investment and time on behalf of suppliers and the Company.

The COVID-19 pandemic has resulted in elevated demand for disinfecting products and other consumer and professional products, as compared to pre-pandemic levels, even though U.S. consumers have begun to adjust their behaviors as vaccination rates have improved. This has caused strain on the Company’s supply chain network and its ability to meet such demand, especially with respect to its disinfecting products, due to, among other things, the loss or disruption to the timely availability of adequate supplies of raw materials and finished goods that the Company requires for the manufacture of its products, disruptions in transportation and logistics operations, and shortage, restriction or disruption in its manufacturing and distribution capacity. The Company’s inability to fully or substantially meet such demand could result in, among other things, shortages in the Company's products, unmet consumer demand leading to reduced preference for the Company’s products in the future, customers purchasing products from the Company’s competitors as a result of such shortage of products, strained customer relationships, termination of customer contracts, additional competition and new entrants into the market, and loss of potential sales and revenue, which could adversely affect the Company’s business, financial condition and results of operations.

Cyber-attacks, privacy breaches, data breaches or a failure of key information technology systems could have a material adverse effect on the Company’s business, financial condition, results of operations and reputation.

To conduct its business, the Company relies extensively on information technology systems, many of which are managed, hosted, provided and/or used by third-parties and their vendors. These systems include, but are not limited to, programs and processes relating to communicating within the Company and with customers, consumers, vendors, investors and other parties; ordering and managing materials from suppliers; converting materials to finished products; receiving and processing purchase orders and shipping products to customers; processing transactions; storing, processing and transmitting data, including personal confidential information and payment card industry data; hosting, processing and sharing confidential and proprietary research, business and financial information; and complying with financial reporting, regulatory, legal and tax requirements. Furthermore, the Company sells certain of its Burt’s Bees® natural personal care products, vitamins, minerals, supplements and other products directly to consumers online and through websites, mobile apps and connected devices, and the Company also engages in online activities, including promotions, rebates and customer loyalty and other programs, through which it may receive personal information. Through the use of any of these information technology systems or processes, the Company or its vendors have in the past and could in the future again experience cyber-attacks, privacy breaches, data breaches or other incidents that may result in unauthorized access, disclosure and misuse of consumer, customer, employee, vendor or Company information, especially at a time when a large number of the Company’s employees are working remotely and accessing its technology infrastructure remotely as a result of the COVID-19 pandemic.

The Company also utilizes various hardware, software and operating systems that may need to be upgraded or replaced in the near future as such system cease to be supported by third-party service providers, and may be vulnerable to increased risks, including the risk of security breaches, system failures and disruptions. Any such upgrade could take time, oversight and be costly to the Company. If such systems are not successfully upgraded or replaced in a timely manner, system outages, disruptions or delays, or other issues may arise. If a new system does not function properly, or is not adequately supported by third-party service providers and processes, it could adversely affect the Company’s business and operations, which, in turn, adversely impact the Company’s results of operations and cash flows.

Despite the security measures the Company has in place, the information technology systems, including those of our customers, vendors, suppliers and other third-party service providers with whom we have contracted, have, in the past, and may, in the future, be vulnerable to cyber-threats such as computer viruses or other malicious codes, security breaches, unauthorized access, phishing attacks and other disruptions from employee error, unauthorized uses, system failures, including Internet outages, unintentional or malicious actions of employees or contractors or cyber-attacks by hackers, criminal groups, nationa-states and nation-state-sponsored organizations and social-activist organizations. The Company’s information technology systems and its third-party providers’ systems, have been, and will likely continue to be, subject to cyber-threats such as computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking and other cyberattacks. The Company has seen an increase in the number of such attacks recently as a large number of its employees are working remotely and accessing its technology infrastructure remotely as a result of the COVID-19 pandemic. Furthermore, such attacks may originate from nation states or attempts by outside parties, hackers, criminal organizations or other threat actors. To date, the Company is not aware that its business or operations have been materially impacted by these attacks. However, the Company’s security efforts and the efforts of its third-party providers may not prevent or timely detect attacks and resulting breaches or breakdowns of the Company’s, or its third-party service providers’, databases or systems. In addition, if the Company or its third-party providers are unable to effectively resolve such breaches or breakdowns on a timely basis, the Company may experience interruptions in its ability to manage or conduct business, as well as reputational harm, governmental fines, penalties, regulatory proceedings, and litigation and remediation expenses. In addition, such incidents could result in unauthorized disclosure and misuse of material confidential information, including personal information. Cyber threats are becoming more sophisticated, are constantly evolving and are being made by groups and individuals with a wide range of expertise and motives, and this increases the difficulty of detecting and successfully defending against them.

In addition, data breaches or theft of personal information collected by the Company and its third-party service providers as well as Company information and assets have occurred in the past and may occur in the future. The Company is subject to the laws and regulations of various countries where it operates or does business related to solicitation, collection, processing, transferring, storing or use of consumer, customer, vendor or employee information or related data, including the European Union’s General Data Protection Regulation (“GDPR”), which went into effect in May 2018, and the California Consumer Privacy Act of 2018 (“CCPA”), which went into effect in January 2020. The changes introduced by data privacy and protection regulations increase the complexity of regulations enacted to protect business and personal data and they subject the Company to additional costs and have required, and may in the future require, costly changes to the Company’s security systems, policies, procedures and practices. These laws and regulations also may result in the Company incurring additional expenses and liabilities in the event of unauthorized access to or disclosure of personal data.

A breach or other breakdown in the Company’s technology, including a cyber-attack, privacy breach, data breach or other incident involving the Company or any of the Company's third-party service providers or vendors, that results in unauthorized disclosure or significant unavailability of business, financial, personal or stakeholder information could adversely affect the Company’s financial condition and results of operations. In addition, if the Company’s service providers, suppliers or customers experience a breach or unauthorized disclosure or system failure, their businesses could be disrupted or otherwise negatively affected, which may result in a disruption in the Company’s supply chain or reduced customer orders or other business operations, which would adversely affect the Company.

The operations of the Company and its suppliers are subject to disruption by events beyond the Company’s control.

Operations of the Company, its suppliers (including sole-source and single-source suppliers), service providers and retail customers are subject to disruption for a variety of reasons, including work stoppages, cyber-attacks and other disruptions in information technology systems, demonstrations, political instability or uncertainty in the U.S. or abroad, disease outbreaks or pandemics, such as the COVID-19 pandemic, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters or weather events, disruptions in logistics, loss or impairment of key manufacturing sites, supplier capacity constraints, raw material and product quality or safety issues, industrial accidents or other occupational health and safety issues. In addition, the Company’s corporate headquarters and primary research and development facility are located near major earthquake fault lines in California. If a major disruption at the Company or its suppliers were to occur, it could result delays or suspension of operations, including loss of access or unauthorized disclosure of critical data, or shipments of products. Any such disruption could have a material adverse effect on the Company’s business, financial condition and results of operations.

The Company is subject to risks related to its international operations and international trade.

In fiscal year 2021, 15% of the Company’s net sales were attributable to international markets. The Company faces and will continue to face substantial risks associated with its foreign operations, including, but not limited to:

- global or local economic or political instability;
- foreign currency fluctuations, including devaluations, currency controls and inflation, which may adversely affect the Company’s ability to do business in certain markets and reduce the U.S. dollar value of revenues, profits or cash flows it generates in non-U.S. markets;
- continued high levels of inflation in Argentina, which have required and may continue to require, the Company to record gains and losses in net earnings to reflect the remeasurement of the Company's non-U.S. dollar monetary assets and liabilities of Argentina;
- difficulty in obtaining non-local currency (e.g., U.S. dollars) to pay for the raw materials needed to manufacture the Company’s products and contract-manufactured products;
- the imposition of tariffs, trade restrictions, price, profit or other government controls, labor laws, immigration restrictions, travel restrictions, including as a result of COVID-19 or other pandemics or epidemics, import and export laws or other government actions generating a negative impact on the Company’s business, including changes in trade policies that may be implemented and the impact of geopolitical events generally;
- civil unrest, work stoppages, labor disputes or widespread health emergencies, such as COVID-19 or other pandemics or epidemics;
- employment litigation related to employees, contractors and suppliers, particularly in Argentina;
- potential loss of distribution channels as a result of retailer consolidation;
- increased credit risk of customers, suppliers and distributors, and defaults on obligations of foreign governments;
- potential harm to third parties, the Company’s employees and/or surrounding communities, and related liabilities and damages to the Company’s reputation, from the use, storage and transportation of chlorine in certain international

markets where chlorine is used in the production of bleach, whether such actions are undertaken by the Company or by the Company's business partners;

- lack of well-established or reliable, and impartial legal systems in certain countries where the Company operates, including difficulties in enforcing intellectual property and contractual rights;
- challenges relating to enforcement of or compliance with local laws and regulations and with U.S. laws affecting operations outside of the U.S., including without limitation, the Foreign Corrupt Practices Act;
- continuing legal, political and economic uncertainty and disruption from the United Kingdom's exit from the European Union; and
- the possibility of nationalization, expropriation of assets or other similar government actions.

All of the foregoing risks could have a significant adverse impact on the Company's ability to commercialize its products on a competitive basis in international markets and may have a material adverse effect on its business, financial condition and results of operations. The Company's small sales volume in some countries, relative to some multinational and local competitors, could exacerbate such risks.

For further information regarding Argentina, including its designation as a highly inflationary economy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements in Exhibit 99.1.

Legal and Regulatory Risks

Government regulations could impose material costs.

Generally, the manufacture, processing, formulation, packaging, labeling, storage, distribution, advertising and sale of the Company's products and the conduct of its business operations must comply with extensive federal, state and foreign laws and regulations. For example, in the U.S., many of the Company's products are regulated by the Environmental Protection Agency, the Food and Drug Administration (including applicable current good manufacturing practice regulations) and/or the Consumer Product Safety Commission, and the Company's product claims and advertising are regulated by the Federal Trade Commission, among other regulatory agencies. Additionally, the Company's and its suppliers' manufacturing and distribution operations are also subject to regulation by the Occupational Safety and Health Administration. Most states have agencies that regulate in parallel to these federal agencies. The Company's international operations are also subject to regulation in each of the foreign jurisdictions in which it manufactures or distributes its products. There is also an increased risk of fraud or corruption in certain foreign jurisdictions and related difficulties in maintaining effective internal controls. Additionally, the Company could be subject to future inquiries or investigations by governmental and other regulatory bodies. Any determination that the Company's operations or activities are not in compliance with applicable law could expose the Company to future impairment charges or significant fines, penalties or other sanctions that may result in a reduction in net income or otherwise adversely impact the business and reputation of the Company.

Fluctuations in federal, state, local and foreign taxes or a change to uncertain tax positions, including related interest and penalties, may also impact the Company's effective tax rate and the Company's results of operations, and changes in tax laws, including additional guidance issued by the U.S. Treasury Department or the U.S. Internal Revenue Service, could create uncertainty, impact our recorded liability in future periods and have a material impact on the Company's results of operations.

In particular, because of the Company's extensive international operations, we could be adversely affected by violations, or allegations of violations, of the Foreign Corrupt Practices Act and similar international anti-bribery laws. These anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials or other third parties for the purpose of obtaining or retaining business. We cannot provide assurance that our internal controls policies and procedures that mandate compliance with these laws will protect us from reckless, intentional or unintentional criminal acts committed by our employees, joint-venture partners or agents. Violations of these laws, or allegations of such violations, could disrupt our business and adversely affect our reputation and our business, financial condition and results of operations.

Federal, state and foreign governments may introduce new or expand existing legislation and regulations, or courts or governmental authorities could impose more stringent interpretations of existing legislation and regulations, affecting the Company's operations, which may require the Company to increase its resources, capabilities and expertise in certain areas. For example, the Company is subject to regulations regarding the transportation, storage or use of certain chemicals to protect the environment, including as a result of evolving climate change standards, and regulations in other areas, such as with respect to "conflict minerals" and subject to increased costs or mandatory funding or financial support for recycling and waste management programs under extended producer responsibility regulation or laws. Such regulations could negatively impact the Company's ability to obtain raw materials or could increase its acquisition and compliance costs or cause the company to contribute funds to recycling and other waste management infrastructure, thus making our products more costly, less competitive than other competitive products or reduce consumer demand. Furthermore, additional or amended legislation in the areas of ESG disclosure or other matters, healthcare reform, sustainability of packaging, including plastic packaging, executive compensation and corporate governance, could also increase the Company's costs.

The Company is also required to comply with increasingly complex and changing laws and regulations enacted to protect business and personal data in the United States and other jurisdictions, including the GDPR and the CCPA. The interpretation and enforcement of such laws and regulations, are continuously developing and evolving and there is significant uncertainty with respect to compliance with them. The changes introduced by the GDPR and the CCPA, as well as any other changes to existing privacy and data protection laws and regulations and the introduction of similar laws and regulations in other jurisdictions, have subjected, and may continue in the future to subject, the Company to additional costs and have required, and may in the future require, costly changes to the Company's security systems, policies, procedures and practices, which could have a material adverse effect on the Company's financial condition and results of operations.

If the Company is found to be noncompliant with applicable laws and regulations in these or other areas, it could be subject to governmental or regulatory actions, including fines, import detentions, injunctions, product withdrawals or recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on its business. Loss of or failure to obtain necessary permits and registrations, particularly with respect to its charcoal business, could delay or prevent the Company from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect its financial condition and results of operations. In addition, the Company markets and sells products that are subject to regulations relating to dietary supplements. In order to comply with any changes in these laws and regulations, including any changes that result from newly published clinical studies and emerging studies that may assert or prove that ingredients in our products or our products themselves are ineffective or harmful to consumers, the Company may be required to make changes to product formulation, labeling or marketing claims, perform additional testing to substantiate its product claims, make costly changes in its manufacturing processes or supply chain or stop selling certain products until corrective actions have been taken. Any of these developments could increase the Company's costs significantly, which could have a material adverse effect on the Company's financial condition and results of operations.

Product liability and labeling claims, commercial claims or other legal proceedings could adversely affect the Company's financial condition and results of operations.

The Company has in the past paid, and may be required in the future to pay, for losses or injuries purportedly caused by its products. Such claims may be based on allegations that, among other things, the Company's products contain contaminants or provide inadequate instructions or warnings regarding their use, have defective packaging, fail to perform as advertised, or damage property or persons. Product liability, advertising and labeling claims could result in negative publicity that could harm the Company's reputation, sales and results of operations and the reputation of the Company's brands. In addition, if any of the Company's products is found to be defective, the Company may recall such products, which could result in adverse publicity and significant expenses. In July 2020, the Company's subsidiary in Peru voluntarily recalled the Poett® dilutable cleaning products sold in Peru, which recall affects all such Poett® products manufactured in Peru on or before June 30, 2020. The Company is responding to and defending government regulatory inquiries regarding the recall and could be the subject of additional litigation, fines, penalties, or other liability relating to property damage, personal injury, negative publicity, or other losses in connection with the recall. Although the Company maintains product liability insurance coverage, potential product liability claims may be subject to a deductible, exceed the amount of insurance coverage or be excluded under the terms of the policies.

In addition, the Company is, and may in the future become, the subject of, or party to, various pending or threatened legal actions, government investigations and proceedings relating to, among other things, advertising disputes with competitors, consumer class actions, including those related to advertising claims, labor claims, breach of contract claims, antitrust litigation, securities litigation, premises liability claims, data privacy and security disputes, employment litigation related to employees, contractors and suppliers, including class action lawsuits, and litigation in foreign jurisdictions. Such actions, investigations and proceedings may or may not relate to the Company's responses to, and actions taken in connection with, the COVID-19 pandemic, such as the Company's partnerships with companies in the industries involving shared-space. The Company has been, and may in the future be, subject to additional claims, proceedings and actions as it expands the products within the dietary supplements category. In general, claims made by or against the Company in litigation, investigations, disputes or other proceedings have been and may in the future be expensive and time-consuming to bring or defend against and could result in settlements, injunctions or damages that could significantly affect its business, financial condition and results of operations and harm its reputation. While it is not possible to predict the final resolution of any current or future litigation, investigations, disputes or proceedings and any reserves taken in connection therewith may not be consistent with their final resolutions, the impact of these matters, including any reserves taken in connection with such matters, on the Company's business, financial condition and results of operations could be material. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements in Exhibit 99.1 for additional information related to these matters.

ESG issues, including those related to climate change and sustainability, may have an adverse effect on our business, financial condition and results of operations and damage our reputation.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Increased focus and activism related to ESG may hinder the Company's access to capital, as investors may reconsider their capital investment as a result of their assessment of the Company's ESG practices. In particular, customers, consumers, investors and other stakeholders are increasingly focusing on environmental issues, including climate change, water use, deforestation, plastic waste, and other sustainability concerns. Changing consumer preferences may result in increased demands regarding plastics and packaging materials, including single-use and non-recyclable plastic packaging, and other components of our products and their environmental impact on sustainability; a growing demand for natural or organic products and ingredients; or increased consumer concerns or perceptions (whether accurate or inaccurate) regarding the effects of ingredients or substances present in certain consumer products. These demands could cause us to incur additional costs or to make changes to our operations to comply with such demands.

Concern over climate change or plastics and packaging materials, in particular, may result in new or increased legal and regulatory requirements to reduce or mitigate impacts to the environment. Increased regulatory requirements, including in relation to various aspects of ESG including disclosure requirements, or environmental causes may result in increased compliance or input costs of energy, raw materials or compliance with emissions standards, which may cause disruptions in the manufacture of our products or an increase in operating costs. Any failure to achieve our ESG goals or a perception (whether or not valid) of our failure to act responsibly with respect to the environment or to effectively respond to new, or changes in, legal or regulatory requirements concerning environmental or other ESG matters, or increased operating or manufacturing costs due to increased regulation or environmental causes could adversely affect our business and reputation.

If the Company does not adapt to or comply with new regulations, or fails to meet the ESG goals under its IGNITE Strategy or evolving investor, industry or stakeholder expectations and standards, or if the Company is perceived to have not responded appropriately to the growing concern for ESG issues, customers and consumers may choose to stop purchasing our products or purchase products from another company or a competitor, and the Company's reputation, business or financial condition may be adversely affected.

Environmental matters create potential liabilities that could adversely affect the Company's financial condition and results of operations.

The Company must comply with various environmental laws and regulations in the jurisdictions in which it operates, including those relating to air emissions, water discharges, handling and disposal of solid and hazardous wastes, remediation of contamination associated with the use and disposal of hazardous substances and climate change. The Company has incurred, and will continue to incur, significant expenditures and other costs in complying with environmental laws and regulations and in providing physical security for its worldwide operations, and such expenditures reduce the cash flow available to the Company for other purposes.

The Company is currently involved in or has potential liability with respect to the remediation of past contamination in the operation of some of its current and former facilities. In addition, some of its present and former facilities have or had been in operation for many years and, over that time, some of those facilities may have used substances or generated and disposed of wastes that are or may be considered hazardous. It is possible that those sites, as well as disposal sites owned by third parties to whom the Company has sent waste, may be identified and become the subject of remediation. In addition, the Company also handles and/or transports hazardous substances, including but not limited to chlorine, at some of its international production facilities. A release of such chemicals, whether in transit or at the Company's facilities, due to accident or an intentional act, could result in substantial liability and business disruptions. The Company could also become subject to additional environmental liabilities in the future, whether as a result of new laws and regulations or otherwise, that could result in a material adverse effect on its financial condition and results of operations.

The Company had a recorded liability of $28 million as of both June 30, 2021 and 2020 for its share of aggregate future remediation costs related to certain environmental matters, including response actions at various locations. Two matters, relating to environmental costs associated with one of the Company's former operations at a site located in Alameda County, California and another relating to operations in Dickinson County, Michigan account for a significant portion of the recorded liability. The Company's estimated losses related to these matters are sensitive to a variety of uncertain factors, including the ability of third parties to pay their share of the response and remediation obligations, the efficacy of any remediation efforts, changes in any remediation requirements, and the future availability of alternative clean-up technologies, and the Company's exposure may exceed the amount recorded for these matters. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements in Exhibit 99.1 for additional information related to these liabilities.

Failure to effectively utilize, successfully assert or successfully defend, the Company's intellectual property rights could impact its competitiveness. If the Company is found to have infringed the intellectual property of rights or cannot obtain necessary intellectual property rights, its competitiveness could be negatively impacted.

The Company relies on intellectual property rights based on trademark, trade secret, patent and copyright laws to protect its brands, products, packaging for its products, inventions and confidential information. There is a risk that the Company will not be able to obtain and perfect its own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions and product innovations. The Company cannot be certain that these rights, if obtained, will not later be invalidated, circumvented or challenged, and the Company could incur significant costs in connection with legal actions to assert its intellectual property rights or to defend those rights from assertions of invalidity. In addition, even if such rights are obtained in the U.S., the laws of some of the other countries in which the Company's products are or may be sold may not protect intellectual property rights to the same extent as the laws of the U.S. It is also possible that the Company's brands may not be available for use in certain countries due to prior third party rights, thereby limiting expansion of the Company's brands. The Company also licenses certain of its brands to third parties and has increased its focus on licensing its intellectual property in connection with the co-development of products or devices, or promotion and sales relationships with companies in industries operating in public spaces. If other parties infringe the Company's intellectual property rights, they may dilute or diminish the value of the Company's brands and products in the marketplace, which could diminish the value that consumers associate with the Company's brands and harm its net sales. The failure to perfect and protect its intellectual property rights could make the Company less competitive and could have a material adverse effect on its business, financial condition and results of operations.

In addition, if the Company is found to have violated the trademark, trade secret, copyright, patent or other intellectual property rights of others, directly or indirectly, through the use of third-party marks, ideas or technologies, such a finding could result in the need to cease use of such trademark, trade secret, copyrighted work or patented invention in the Company's business as well as the obligation to pay for past infringement. If holders are willing to permit the Company to continue to use such intellectual property rights, they could require a payment of a substantial amount for continued use of those rights. Either ceasing use or paying such amounts could cause the Company to become less competitive and could have a material adverse effect on the Company's business, financial condition and results of operations. Even if the Company is not found to infringe a third party's intellectual property rights, the Company could incur material legal costs and related expenses to defend against such claims of infringement and the Company could incur significant costs associated with suspending its use of the challenged intellectual property rights even if it is ultimately found not to have infringed such rights.

The Company's business could be negatively impacted as a result of stockholder activism or an unsolicited takeover proposal or a proxy contest.

In recent years, proxy contests and other forms of stockholder activism have been directed against numerous public companies, including the Company. During fiscal years 2012 and 2011, the Company was the target of an unsolicited takeover proposal from a stockholder activist, which resulted in significant costs to the Company. If such a proposal were to be made again, the Company would likely incur significant costs, which could have an adverse effect on the Company's financial condition and results of operations. Stockholder activists may also seek to involve themselves in the governance, strategic direction and operations of the Company through stockholder proposals or otherwise. Such proposals may disrupt the Company's business and divert the attention of the Company's management and employees, and any perceived uncertainties as to the Company's future direction resulting from such a situation could result in the loss of potential business opportunities, the perception that the Company needs a change in the direction of its business, or the perception that the Company is unstable or lacks continuity, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult for the Company to attract and retain qualified personnel and business partners, which could adversely affect the Company's business. In addition, actions of activist stockholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Our amended and restated bylaws designate specific courts as the exclusive forum for certain stockholder litigation, which could limit our stockholders' ability to obtain a judicial forum of their choice for disputes with us.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the state courts of Delaware (or if no state court has jurisdiction, the federal district court of the District of Delaware) will, to the fullest extent permitted by law, be the sole and exclusive forum for certain types of actions or proceedings under Delaware statutory or common law. The choice of forum provision in our bylaws does not waive our compliance with our obligations under the federal securities laws and the rules and regulations thereunder. Moreover, the provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act or by the Securities Act.

Our exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum of such stockholders' choice for disputes with us or our directors, officers or employees, which may discourage such lawsuits, even though an action, if successful, might benefit our stockholders. If a court were to find our exclusive forum provision either to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, all of which may increase our costs of litigation. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated bylaws described in the preceding sentences.

Financial and Economic Risks

Profitability and cash flow could suffer if the Company is unable to generate anticipated cost savings, successfully implement its strategies, or efficiently manage supply chain and manufacturing processes.

The Company continues to implement plans to improve its competitive position by setting aggressive annual cost savings targets intended to reduce material costs and manufacturing inefficiencies and realize productivity gains, distribution and logistical efficiencies and overhead reductions. If the Company cannot successfully implement its cost savings plans, the Company may not realize all anticipated benefits, which could adversely affect its long-term strategies. The Company also continues to seek to penetrate new markets and introduce new products and product innovations. These goals and strategies may not be implemented or may fail to achieve the desired results. In addition, the Company expects to continue to restructure its operations as necessary to improve operational efficiency, including occasionally opening or closing offices, facilities or plants. Gaining additional efficiencies may become increasingly difficult over time, there may be one-time and other costs and negative impacts on sales growth relating to facility or plant closures or other restructurings and anticipated cost savings and the Company's strategies may not be implemented or may fail to achieve desired results. If the Company is unable to generate anticipated cost savings, successfully implement its strategies or efficiently manage its supply chain and manufacturing processes, the Company's results of operations could suffer. These plans and strategies could also have a negative impact on the Company's relationships with employees or customers, which could also adversely affect the Company's business, financial condition and results of operations.

The estimates and assumptions on which the Company's financial projections are based may prove to be inaccurate, which may cause its actual results to materially differ from such projections, which may adversely affect the Company's future profitability, cash flows and stock price.

The Company's financial projections, including any sales or earnings guidance or outlook it may provide from time to time, are dependent on certain estimates and assumptions related to, among other things, category growth, development and launch of innovative new products, market share projections, product pricing and sale, volume and product mix, foreign exchange rates and volatility, tax rates, commodity prices, distribution, cost savings, accruals for estimated liabilities, including litigation reserves, measurement of benefit obligations for pension and other postretirement benefit plans, and the Company's ability to generate sufficient cash flow to reinvest in its existing business, fund internal growth, repurchase its stock, make acquisitions, pay dividends and meet debt obligations. The Company's financial projections are based on historical experience and on various other estimates and assumptions that the Company believes to be reasonable under the circumstances and at the time they are made, and the Company's actual results may differ materially from its financial projections, especially in light of the increased difficulty in making such estimates and assumptions as a result of the COVID-19 pandemic. Any material variation between the Company's financial projections and its actual results may adversely affect the Company's future profitability, cash flows and stock price.

Increases in the estimated fair value of the Procter & Gamble Co. ("P&G's") interest in the Company's Glad business increase the value of the Company's obligation to purchase P&G's interest in the Glad business upon the termination of the venture agreement and may, in the future, adversely affect the Company's net earnings and cash flow.

In January 2003, the Company entered into a venture agreement with P&G related to the Company's Glad bags and wraps business. In connection with this agreement, P&G provides research and development support to the Glad business. The agreement with P&G expires in January 2026 unless the parties agree to extend the term. The agreement requires the Company to purchase P&G's 20% interest at the expiration of its term for cash at fair value as established by predetermined valuation procedures. As of June 30, 2021, 2020 and 2019, the estimated fair value of P&G's interest was $613 million, $610 million and $619 million, respectively, of which $432 million, $400 million and $370 million, respectively, has been recognized by the Company and is reflected in Other liabilities in the Company's Consolidated Balance Sheets. The difference between the estimated fair value and the amount recognized, and any future changes in the fair value of P&G's interest, is charged to Cost of products sold in accordance with the effective interest method over the remaining life of the agreement. The estimated fair value of P&G's interest, which has increased significantly over the past several years, increased by $155 million from June 30, 2017 to June 30, 2021, primarily as a result of the enactment of H.R.1, also known as the "Tax Cuts and Jobs Act" (the "Tax Act"), and the extension of the venture agreement with, and the related R&D support provided by, P&G, and may continue to change up until any such purchase by the Company of P&G's interest. The key assumptions and estimates used to arrive at the estimated fair value include, but are not limited to, tax rates, the rate at which future cash flows are discounted (discount rate), commodity prices, future volume estimates, net sales and expense growth rates, changes in working capital, capital expenditures, foreign exchange rates, inflation and terminal growth rates. Any changes in such assumptions or estimates could significantly affect such estimated fair value and, accordingly, the value of the Company's repurchase obligation and may adversely affect the Company's net earnings up until any such purchase and cash flow at the time of any such purchase. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8 of Notes to Consolidated Financial Statements in Exhibit 99.1.

The Company's indebtedness could have a material adverse effect on its business, financial condition and results of operations and prevent the Company from fulfilling its financial obligations, and the Company may not be able to maintain its current credit ratings, may not continue to pay dividends or repurchase its stock and may not remain in compliance with existing debt covenants.

As of June 30, 2021, the Company had nearly $3 billion of debt. The Company's indebtedness could have important consequences. For example, it could:

- require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, which would reduce the availability of its cash flow to fund working capital requirements, capital expenditures, future acquisitions, dividends, repurchase the Company's common stock and for other general corporate purposes;
- limit the Company's flexibility in planning for or reacting to general adverse economic conditions or changes in its business and the industries in which it operates;
- place the Company at a competitive disadvantage compared to its competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in the Company's debt documents, its ability to borrow additional funds.

The Company may also incur substantial additional indebtedness in the future to fund acquisitions, repurchase stock or fund other activities for general business purposes. In addition, the London Interbank Offered Rate (LIBOR), the interest rate benchmark used as a reference rate for certain borrowings under the Company's revolving credit facility, is expected to be phased out by the end of calendar year 2023.

Further, certain terms of the agreements governing the Company's over-the-counter derivative instruments contain provisions that require the Company's credit ratings, as assigned by Standard & Poor's and Moody's to the Company, to remain at a level equal to or better than the minimum of an investment grade credit rating. As of June 30, 2021, the Company had been assigned investment-grade ratings with both Standard & Poor's and Moody's. However, if the Company's credit ratings were to fall below investment grade, the counterparties to the derivative instruments in net liability positions could request full collateralization, and it may negatively impact the Company's other financial arrangements, including the supply chain financing arrangement offered by a financial institution to our suppliers, which could, in turn, impact our working capital.

Any disruption in the financial markets, interest rate increases, changes that may result from the implementation of new benchmark rates that replace LIBOR, increases to our indebtedness levels or changes to our credit ratings could negatively impact our ability to access financial markets or increase our borrowing costs.

The Company has historically declared and paid quarterly cash dividends on its common stock and has been authorized to repurchase its stock subject to certain limitations under its stock repurchase programs. Any determinations by the board of directors to continue to declare and pay cash dividends on the Company's common stock or to repurchase the Company's common stock, however, will be based primarily upon the Company's financial condition, results of operations and business requirements, its access to debt capital markets or other forms of financing, the price of its common stock in the case of the repurchase program and the board of directors' continuing determination that the repurchase programs and the declaration and payment of dividends are in the best interests of the Company's stockholders and are in compliance with all laws and agreements applicable to the repurchase and dividend programs. In the event the Company does not declare and pay a quarterly dividend or discontinues its stock repurchases, the Company's stock price could be adversely affected.

ITEM 1.B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns or leases various manufacturing, distribution, office and research and development facilities, including a leased facility in Pleasanton, CA, which houses the Company's primary research and development group, as well as other administrative and operational support personnel, and a leased office space in Oakland, CA for its corporate headquarters. Management believes the Company's facilities are adequate to support the business efficiently.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to routine litigation incidental to its business in the United States and in international locations, including various lawsuits and claims relating to issues such as contract disputes, product liability, patents and trademarks, advertising, commercial, administrative, employment, antitrust, securities, consumer class actions and other matters. Although the results of claims and litigation cannot be predicted with certainty, based on management's analysis, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for or disclosed in the

Company's consolidated financial statements in Exhibit 99.1, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names, ages, year first elected and current titles of each of the executive officers of the Company as of August 10, 2021, are set forth below:

Name	Age	Year First Elected Executive Officer	Title
Linda Rendle	43	2016	Chief Executive Officer
Kevin B. Jacobsen	55	2018	Executive Vice President – Chief Financial Officer
Kirsten Marriner	48	2016	Executive Vice President – Chief People and Corporate Affairs Officer
Tony Matta	53	2020	Executive Vice President – Chief Growth Officer
Eric Reynolds	51	2015	Executive Vice President – Chief Operating Officer
Chau Banks	52	2020	Senior Vice President – Chief Information and Enterprise Analytics Officer
Diego J. Barral	51	2018	Senior Vice President – General Manager, International Division
Troy Datcher	53	2019	Senior Vice President – Chief Customer Officer
Denise Garner	57	2015	Senior Vice President – Chief Innovation Officer
Stacey Grier	58	2019	Senior Vice President – Chief Marketing and Strategy Officer
Angela Hilt	49	2020	Senior Vice President – Chief Legal Officer
Rick McDonald	61	2020	Senior Vice President – Chief Product Supply Officer

There is no family relationship between any of the above-named persons, or between any of such persons and any of the directors of the Company. See Item 10 of Part III of this Report for additional information.

Linda Rendle is the chief executive officer of the Company, a position she has held since September 2020. Prior to this role, she served as the president of the Company from May 2020 to September 2020. She served as executive vice president – cleaning, international, strategy and operations from July 2019 to May 2020. From January 2019 to July 2019, she served as executive vice president – strategy and operations. From June 2018 to January 2019, she served as executive vice president – cleaning and strategy. She served as senior vice president – general manager, cleaning division of the Company, from August 2016 to June 2018, having taken on responsibility for the professional products division in April 2017. She served as vice president – general manager, home care from October 2014 to August 2016. From April 2012 to October 2014, she served as vice president – sales, cleaning division. From August 2011 to April 2012, she served as director of sales planning – litter, food & charcoal. From January 2010 to August 2011, she served as director of sales – supply chain. Ms. Rendle joined the Company in 2003.

Kevin B. Jacobsen is the executive vice president – chief financial officer of the Company, a position he has held since January 2019. Prior to this role, he served as senior vice president – chief financial officer from April 2018 to January 2019. He served as vice president – financial planning and analysis, from November 2011 through March 2018. Mr. Jacobsen joined the Company in 1995 and has held a number of senior leadership roles in the Company's finance department over the years, including serving as the finance leader for the specialty division, head of finance for Brazil operation, the product supply organization and various business units.

Kirsten Marriner is the executive vice president – chief people and corporate affairs officer of the Company, a position she has held since December 2020. She was appointed to executive vice president - chief people officer in January 2019. Prior to this role she served as senior vice president – chief people officer from March 2016 to January 2019. Prior to joining the Company, she served as senior vice president and chief human resources officer at Omnicare, from March 2013 to August 2015. She served in various leadership roles, including as senior vice president, director of talent management and development at Fifth Third Bank, from October 2004 to March 2013. Ms. Marriner joined the Company in March 2016.

Tony Matta is the executive vice president – chief growth officer of the Company, a position he has held since October 2020. Prior to joining Clorox, he was president of Nestlé Coffee Partners, a division of Nestlé U.S., from August 2018 to October 2020. Before joining Nestlé, he served as Starbucks Corporation's president, global channel development from January 2017 to August 2018, and senior vice president and general manager, U.S. CPG business from April 2016 to January 2017. Previously, he was chief marketing officer at Kraft Foods Canada Inc. from June 2013 to March 2016. Before joining Kraft, Mr. Matta held various leadership roles in marketing at PepsiCo and Procter & Gamble in the U.S., U.K. and Canada. Mr. Matta joined the Company in 2020.

Eric Reynolds is the executive vice president - chief operating officer of the Company, a position he has held since September 2020. Prior to this role, he served as executive vice president - household and lifestyle of the Company from July 2019 to September 2020. He served as executive vice president – cleaning and Burt's Bees from January 2019 to July 2019. From January 2015 to January 2019, he served as senior vice president – chief marketing officer. He served as vice president – general manager, Europe, Middle East, Africa and Asia from May 2012 to January 2015. From May 2011 to April 2012, he was director, international business development. From June 2008 to April 2011, he was general manager, Caribbean. Mr. Reynolds joined the Company in 1998.

Chau Banks is the senior vice president – chief information and enterprise analytics officer of the Company, a position she has held since June 2020, having taken on responsibility for enterprise analytics since September 2020. Prior to this role, she served as chief technology and digital officer at Revlon Consumer Products Company from January 2018 to June 2020. From September 2013 to November 2017, she was EVP, CIO and channel integration at New York & Company, Inc. (now RetailWinds Inc.). She has held leadership positions at leading global retailers including COACH, Abercrombie & Fitch and LBrands. She previously served as a management consultant at Capgemini and Ernst & Young. She also previously held positions at Energizer and Kimberly-Clark.

Diego J. Barral is the senior vice president – general manager, international of the Company, a position he has held since April 2018. Prior to this role, he served as vice president – general manager, Latin America, from January 2012 to April 2018. Mr. Barral joined the company in 1995 and has served in various finance, procurement, business development and international roles.

Troy Datcher is the senior vice president – chief customer officer of the Company, a position he has held since February 2019. Prior to this role, he served as vice president - sales planning, cleaning/specialty and sports marketing from May 2014 to February 2019. He served as director of sales planning – Glad and Brita Products Division from April 2010 through May 2014. During his combined 20 years with the Company, Mr. Datcher has held various positions within the sales function, including vice president – corporate capability development and sports marketing, as well as region sales manager – specialty. Mr. Datcher first joined the Company in 1998.

Denise Garner is the senior vice president – chief innovation officer of the Company, a position she has held since January 2015. Prior to this role, she served as vice president, R&D – global cleaning & international, from January 2010 to December 2014. Ms. Garner joined the Company in 1988.

Stacey Grier is the senior vice president – chief marketing and strategy officer of the Company, a position she has held since January 2019, having taken on responsibility for enterprise strategy since September 2020. Prior to this role, she served as vice president - brand engagement and enhanced wellness marketing from October 2018 to January 2019. She served as vice president - brand and marketing strategy from October 2016 through October 2018. Prior to joining the Company, she served as chief strategic officer at DDB Worldwide from April 1996 to June 2016. Ms. Grier joined the Company in 2016.

Angela Hilt is the senior vice president – chief legal officer of the Company, a position she has held since December 2020. Prior to this role, she served as vice president – corporate secretary and deputy general counsel from September 2018 to December 2020, and vice president – corporate secretary and associate general counsel from October 2008 to September 2018. She served as senior corporate counsel from December 2005 to October 2008. Ms. Hilt joined the Company in 2005.

Rick McDonald is the senior vice president - chief product supply officer of the Company, a position he has held since December 2020. Prior to this role, he served as vice president - global operations from December 2017 to December 2020. He served as vice president - integration, international division from May 2013 to November 2017. Mr. McDonald has held other leadership roles in the Company's product supply organization, including vice president - global logistics, and vice president – integrator, cleaning division. Mr. McDonald joined the Company in 1992.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common stock is listed on the New York Stock Exchange. The ticker symbol is CLX.

Holders

The number of record holders of the Company's common stock as of July 28, 2021, was 9,624 based on information provided by the Company's transfer agent.

Equity Compensation Plan Information

See Part III, Item 12 hereof, which is incorporated herein by reference.

Issuer Purchases of Equity Securities

In May 2018, the Board of Directors authorized the Company to repurchase up to $2,000 million in shares of common stock on the open market (Open-Market Program), which has no expiration date.

In August 1999, the Board of Directors authorized a stock repurchase program to reduce or eliminate dilution upon the issuance of common stock pursuant to the Company's stock compensation plans (the Evergreen Program). In November 2005, the Board of Directors authorized the extension of the Evergreen Program to reduce or eliminate dilution in connection with issuances of common stock pursuant to the Company's 2005 Stock Incentive Plan. The Evergreen Program has no expiration date and has no specified limit as to dollar amount and therefore is not included in column [d] below.

The following table sets forth the purchases of the Company's securities by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) (17 CFR 240.10b-18(a)(3)) during the fourth quarter of fiscal year 2021.

Period	[a] Total Number of Shares (or Units) Purchased (1)	[b] Average Price Paid per Share (or Unit) (2)	[c] Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	[d] Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs
April 1 to 30, 2021	—	$ —	—	$1,293 million
May 1 to 31, 2021	760,000	179.41	760,000	$1,156 million
June 1 to 30, 2021	925,726	176.77	925,726	$993 million
	1,685,726	$ 177.96	1,685,726	

(1) All of the shares purchased in May and June 2021 were acquired pursuant to the Company's Open-Market Program.
(2) Average price paid per share in the period includes commission.

ITEM 6. SELECTED FINANCIAL DATA

This information appears under "Five-Year Financial Summary" in Exhibit 99.1, which is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information appears under "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Exhibit 99.1, which is incorporated herein by reference.

ITEM 7.A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information appears under "Quantitative and Qualitative Disclosures about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Exhibit 99.1, which is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

These statements and data appear in Exhibit 99.1, which is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9.A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Report, were effective such that the information required to be disclosed by the Company in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting is set forth in Exhibit 99.1, and is incorporated herein by reference. The Company's independent registered public accounting firm, Ernst & Young, LLP, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2021. See "Report of Independent Registered Public Accounting Firm," which appears in Exhibit 99.1.

Change in Internal Control Over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the fourth fiscal quarter of the fiscal year ended June 30, 2021, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9.B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See “Information about our Executive Officers” in Part I of this Report.

The Company has adopted a Code of Conduct that applies to its principal executive officer, principal financial officer and principal accounting officer, among others. The Code of Conduct is located on the Company’s website at TheCloroxCompany.com under Who We Are/Corporate Governance/Code of Conduct or https://www.thecloroxcompany.com/who-we-are/corporate-governance/codes-of-conduct/. The Company intends to satisfy the requirement under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of its Code of Conduct by posting such information on the Company’s website. The Company’s website also contains its corporate governance guidelines and the charters of its principal board committees.

Information regarding the Company’s directors and corporate governance set forth in the Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation, Management Development and Compensation Committee interlocks and insider participation and the report of the Management Development and Compensation Committee of the Company’s board of directors set forth in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners, management and directors and securities authorized for issuance under equity compensation plans set forth in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence set forth in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding principal accounting fees and services set forth in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules:

Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm included in Exhibit 99.1, incorporated herein by reference.

Reports of Independent Registered Public Accounting Firm.

Consolidated Statements of Earnings for the fiscal years ended June 30, 2021, 2020 and 2019.

Consolidated Statements of Comprehensive Income for the fiscal years ended June 30, 2021, 2020 and 2019.

Consolidated Balance Sheets as of June 30, 2021 and 2020.

Consolidated Statements of Stockholders' Equity for the fiscal years ended June 30, 2021, 2020 and 2019.

Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2021, 2020 and 2019.

Notes to Consolidated Financial Statements.

(b) Exhibits:

INDEX TO EXHIBITS

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**
3.1	Restated Certificate of Incorporation.	10-K	001-07151	3.1	August 14, 2018
3.2	Bylaws (amended and restated).	8-K	001-07151	3.2	September 15, 2016
3.3	Certificate of Designations for The Clorox Company Series A Junior Participating Preferred Stock.	8-K	001-07151	3.1	July 19, 2011
4.1	Indenture, dated as of December 3, 2004, between the Company and The Bank of New York Trust Company N.A., as trustee.	8-K	001-07151	4.1	December 3, 2004
4.2	Indenture, dated as of October 9, 2007, between the Company and The Bank of New York Trust Company N.A., as trustee.	S-3ASR	333-200722	4.1	December 4, 2014
4.3	First Supplemental Indenture, dated as of November 9, 2009, among the Company, The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.2	December 4, 2014
4.4	Second Supplemental Indenture, dated as of November 9, 2009, between the Company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.3	December 4, 2014
4.5	Third Supplemental Indenture, dated as of November 17, 2011, between the company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.4	December 4, 2014
4.6	Fourth Supplemental Indenture, dated as of September 13, 2012, between the Company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.5	December 4, 2014
4.7	Fifth Supplemental Indenture, dated as of December 9, 2014, between the Company and Wells Fargo Bank, National Association, as trustee.	8-K	001-07151	4.1	December 9, 2014
4.8	Sixth Supplemental Indenture, dated as of September 28, 2017, between the Company and Wells Fargo Bank, National Association, as trustee.	8-K	001-07151	4.1	September 28, 2017
4.9	Seventh Supplemental Indenture, dated as of May 9, 2018, between the Company and Wells Fargo Bank, National Association, as trustee.	8-K	001-07151	4.1	May 9, 2018

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
4.10	Eighth Supplemental Indenture, dated as of May 8, 2020, between the Company and Wells Fargo Bank, National Association, as trustee.	8-K	001-07151	4.1	May 8, 2020
4.11	Description of Capital Stock of The Clorox Company	10-K	001-07151	4.10	August 14, 2019
10.1*	The Clorox Company Amended and Restated Independent Directors' Deferred Compensation Plan, effective as of November 16, 2005, and amended and restated as of February 7, 2008.	10-Q	001-07151	10.55	May 2, 2008
10.2*	The Clorox Company Non-Qualified Deferred Compensation Plan, adopted as of January 1, 1996, and amended and restated as of July 20, 2004.	10-K	001-07151	10(x)	August 27, 2004
10.3*	Amendment No.1 to The Clorox Company Non-Qualified Deferred Compensation Plan.	10-K	001-07151	10.3	August 16, 2016
10.4*	The Clorox Company Annual Incentive Plan, amended and restated as of February 9, 2021.	10-Q	001-07151	10.1	April 30, 2021
10.5*	The Clorox Company 2005 Stock Incentive Plan, First Amendment and Restatement as of November 14, 2012; Second Amendment and Restatement as of September 22, 2020; Third Amendment and Restatement as of February 9, 2021.	10-Q	001-07151	10.3	April 30, 2021
10.6*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2018.	10-Q	001-07151	10.2	October 31, 2018
10.7*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2019.	10-Q	001-07151	10.1	October 31, 2019
10.8*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2020.	10-Q	001-07151	10.4	November 2, 2020
10.9*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan	10-Q	001-07151	10.5	April 30, 2021
10.10*	Form of Nonqualified Stock Option Award Agreement under the Company's 2005 Stock Incentive Plan.	10-Q	001-07151	10.4	April 30, 2021
10.11*	Form of Restricted Stock Unit Award Agreement under the Company's 2005 Stock Incentive Plan (Annual Grant).	10-Q	001-07151	10.6	April 30, 2021
10.12*	Form of Restricted Stock Unit Award Agreement under the Company's 2005 Stock Incentive Plan (Off-Cycle Grant).	10-Q	001-07151	10.7	April 30, 2021
10.13*	The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan, effective January 1, 2008.	10-K	001-07151	10.18	August 19, 2008
10.14*	Amendment No. 1 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.	10-K	001-07151	10.18	August 26, 2011
10.15*	Amendment No. 2 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.	10-K	001-07151	10.13	August 16, 2016
10.16*	The Clorox Company Supplemental Executive Retirement Plan, as restated effective January 5, 2005, as revised August 13, 2009.	10-Q	001-07151	10.17	November 3, 2009
10.17*	Amendment No. 1 to The Clorox Company Supplemental Executive Retirement Plan, effective as of July 29, 2011.	10-Q	001-07151	10.21	November 3, 2011
10.18*	Amendment No. 2 to The Clorox Company Supplemental Executive Retirement Plan, effective as of September 11, 2012.	10-Q	001-07151	10.2	November 2, 2012
10.19*	Amendment No. 3 to The Clorox Company Supplemental Executive Retirement Plan, effective as of March 28, 2018.	10-Q	001-07151	10.1	May 2, 2018
10.20*	The Clorox Company Executive Incentive Compensation Plan, amended and restated as of February 9, 2021.	10-Q	001-07151	10.2	April 30, 2021
10.21*	Form of Indemnification Agreement.	10-Q	001-07151	10.27	May 4, 2010

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.22*	Second Amended and Restated Executive Change in Control Severance Plan, effective February 11, 2020.	8-K	001-07151	10.1	February 14, 2020
10.23*	Severance Plan for Clorox Executive Committee Members, third amended and restated effective February 9, 2021.	10-Q	001-07151	10.8	April 30, 2021
10.24*	The Clorox Company Executive Retirement Plan, effective as of July 1, 2011.	10-Q	001-07151	10.27	May 4, 2011
10.25*	Amendment No. 1 to The Clorox Company Executive Retirement Plan.	10-K	001-07151	10.22	August 16, 2016
10.26*	The Clorox Company 2011 Nonqualified Deferred Compensation Plan, effective as of July 1, 2011.	10-K	001-07151	10.29	August 26, 2011
10.27*	Amendment No. 1 to The Clorox Company 2011 Nonqualified Deferred Compensation Plan.	10-K	001-07151	10.24	August 16, 2016
10.28*	The Clorox Company Director Equity Award Policy, effective as of November 15, 2017.	10-K	001-07151	10.26	August 14, 2018
10.29	Credit Agreement dated as of November 15, 2019, among The Clorox Company, the lenders listed therein, JPMorgan Chase Bank, N.A., Citibank, N.A., and Wells Fargo Bank, National Association, as Administrative Agents, and JPMorgan Chase Bank, N.A., as Servicing Agent.	8-K	001-07151	10.1	November 18, 2019
10.30	Amended and Restated Joint Venture Agreement dated as of January 31, 2003, between The Glad Products Company and certain affiliates and The Procter and Gamble Company and certain affiliates.	10-K/A	001-07151	10.26	September 30, 2016
10.31	Amendment No. 1 to the Amended and Restated Joint Venture Agreement, dated as of October 15, 2010, between The Glad Products Company and certain affiliates and The Procter & Gamble Company and certain affiliates.	10-Q	001-07151	10.2	February 2, 2018
10.32	First Extension and Amendment of the Amended and Restated Joint Venture Agreement, dated as of December 20, 2017, between The Glad Products Company and certain affiliates and The Procter & Gamble Company and certain affiliates.	10-Q	001-07151	10.1	February 2, 2018
10.34	Acknowledgement Letter to the Amended and Restated Joint Venture Agreement, dated as of October 7, 2020, between The Glad Products Company and certain affiliates and The Procter & Gamble Company and certain affiliates.	10-Q	001-07151	10.2	February 4, 2021
21	Subsidiaries.				
23	Consent of Independent Registered Public Accounting Firm.				
31.1	Certification of the Chief Executive Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32	Certification of the Chief Executive Officer and Chief Financial Officer of The Clorox Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
99.1	Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, Management's Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm.				
99.2	Reconciliation of Economic Profit (Unaudited).				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	XBRL Taxonomy Extension Schema Document.				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).				

(*) Indicates a management or director contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 CLOROX COMPANY

Date: August 10, 2021

By: /s/ Linda Rendle
Linda Rendle
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ A. Banse A. Banse	Director	August 10, 2021
/s/ R. H. Carmona R. H. Carmona	Director	August 10, 2021
/s/ S. C. Fleischer S. C. Fleischer	Director	August 10, 2021
/s/ E. Lee E. Lee	Director	August 10, 2021
/s/ A. D. D. Mackay A. D. D. Mackay	Director	August 10, 2021
/s/ P. Parker P. Parker	Director	August 10, 2021
/s/ M. J. Shattock M. J. Shattock	Independent Chair	August 10, 2021
/s/ K. Tesija K. Tesija	Director	August 10, 2021
/s/ P. Thomas-Graham P. Thomas-Graham	Director	August 10, 2021
/s/ R. J. Weiner R. J. Weiner	Director	August 10, 2021
/s/ C. J. Williams C. J. Williams	Director	August 10, 2021
/s/ L. Rendle L. Rendle	Chief Executive Officer (Principal Executive Officer)	August 10, 2021
/s/ K. B. Jacobsen K. B. Jacobsen	Executive Vice President – Chief Financial Officer (Principal Financial Officer)	August 10, 2021
/s/ L. Peck L. Peck	Vice President – Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	August 10, 2021

Exhibit 21

Name of Company	Jurisdiction of Incorporation
6570 Donlon Group, LLC	Delaware
A & M Products Manufacturing Company	Delaware
Andover Properties, Inc.	Delaware
Iodine Holdings, Inc.	Connecticut
Brita Canada Corporation	Nova Scotia
Brita Canada Holdings Corporation	Nova Scotia
Brita GP	Ontario
Brita LP	Ontario
Brita Manufacturing Company	Delaware
The Brita Products Company	Delaware
BGP (Switzerland) S. a. r. l.	Switzerland
Burt’s Bees, Inc.	Delaware
Burt's Bees Australia Pty Ltd.	Australia
Burt’s Bees International Holdings	Delaware
Burt’s Bees Licensing, LLC	Delaware
The Burt’s Bees Products Company	Delaware
Caltech Industries, Inc.	Michigan
CBee (Europe) Limited	United Kingdom
Chesapeake Assurance Limited	Hawaii
Clorox Africa (Proprietary) Ltd.	South Africa
Clorox Africa Holdings (Proprietary) Ltd.	South Africa
Clorox Argentina S.A.	Argentina
Clorox Australasia Holdings, Inc.	Delaware
Clorox Australia Pty. Ltd.	Australia
Clorox Brazil Holdings LLC	Delaware
Clorox (Cayman Islands) Ltd.	Cayman Islands
Clorox Chile S.A.	Chile
Clorox China (Guangzhou) Ltd.	Guangzhou, P.R.C.
Clorox Commercial Company	Delaware
The Clorox Company of Canada Ltd.	Canada (Federal)
Clorox de Centro America, S.A.	Costa Rica
Clorox de Colombia S.A.	Colombia
Clorox de Mexico, S.A. de C.V.	Mexico
Clorox de Panama S.A.	Panama
Clorox del Ecuador S.A. Ecuaclorox	Ecuador
Clorox Diamond Production Company	Delaware
Clorox Dominicana S.R.L.	Dominican Republic
Clorox Healthcare Holdings, LLC	Delaware
Clorox Holdings Pty. Limited	Australia
Clorox Hong Kong Limited	Hong Kong
Clorox Hungary Liquidity Management Kft	Hungary
The Clorox International Company	Delaware
Clorox International Holdings, LLC	Delaware
Clorox International Philippines, Inc.	The Philippines
Clorox Luxembourg S.a.r.l.	Luxembourg
Clorox (Malaysia) Sdn. Bhd.	Malaysia

Clorox Manufacturing Company	Delaware
Clorox Manufacturing Company of Puerto Rico, Inc.	Puerto Rico
Clorox Mexicana S. de R.L. de C.V.	Mexico
Clorox New Zealand Limited	New Zealand
The Clorox Outdoor Products Company	Delaware
Clorox Peru S.A.	Peru
The Clorox Pet Products Company	Texas
Clorox Professional Products Company	Delaware
The Clorox Sales Company	Delaware
Clorox Services Company	Delaware
Clorox Servicios Corporativos S. de R.L. de C.V.	Mexico
Clorox Spain, S.L.	Spain
Clorox Spain Holdings, S.L.	Spain
Clorox Sub-Sahara Africa Limited	Kenya
Clorox (Switzerland) S.a.r.l.	Switzerland
Clorox Uruguay S.A.	Uruguay
The Consumer Learning Center, LLC	Delaware
Corporacion Clorox de Venezuela, S.A.	Venezuela
CLX Realty Co.	Delaware
Everest NeoCell LLC	Delaware
Evolution Sociedad S.A.	Uruguay
Fabricante de Productos Plasticos, S.A. de C.V.	Mexico
First Brands (Bermuda) Limited	Bermuda
First Brands Corporation	Delaware
First Brands do Brasil Ltda.	Brazil
First Brands Mexicana, S.A. de C.V.	Mexico
Fully Will Limited	Hong Kong
Gazoontite, LLC	Delaware
Glad Manufacturing Company	Delaware
The Glad Products Company	Delaware
The Household Cleaning Products Company of Egypt Ltd.	Egypt
The HV Food Products Company	Delaware
HV Manufacturing Company	Delaware
Invermark S.A.	Argentina
Jingles LLC	Delaware
Kaflex S.A.	Argentina
Kingsford Manufacturing Company	Delaware
The Kingsford Products Company, LLC	Delaware
Lerwood Holdings Limited	British Virgin Islands
The Mexco Company	Delaware
Mohamed Ali Abudawood for Industry and Partners for Industry Company Ltd.	Kingdom of Saudi Arabia
National Cleaning Products Company Limited	Kingdom of Saudi Arabia
Nature’s Products, Inc.	Florida
Nutranext, LLC	Delaware
Nutranext Business, LLC	Delaware
Nutranext Direct, LLC	Delaware
Paulsboro Packaging Inc.	New Jersey
Petroplus Productos Automotivos S.A.	Brazil

Petroplus Sul Comercio Exterior S.A.	Brazil
Rainbow Light Nutritional Systems, LLC	Delaware
ReNew Life Formulas, LLC	Delaware
ReNew Life Holdings Corporation	Delaware
Round Ridge Production Company	Delaware
Soy Vay Enterprises, Inc.	California
STP do Brasil Ltda.	Brazil
Yuhan-Clorox Co., Ltd.	Korea

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-224699) and in the related Prospectuses of The Clorox Company, and

(2) Registration Statements (Form S-8 Nos. 33-56563, 33-56565, 33-41131, including post effective amendments No. 1 and No. 2, 333-16969, 333-29375, 333-44675, 333-69455, including post effective amendment No. 1, 333-86783, 333-90386, including the post effective amendment No. 1, 333-131487, 333-193913 and 333-213161) of The Clorox Company;

of our reports dated August 10, 2021, with respect to the consolidated financial statements of The Clorox Company and the effectiveness of internal control over financial reporting of The Clorox Company included in this Annual Report (Form 10-K) of The Clorox Company for the year ended June 30, 2021.

/s/ Ernst & Young LLP

San Francisco, CA
August 10, 2021

Exhibit 31.1

CERTIFICATION

I, Linda Rendle, certify that:

1. I have reviewed this annual report on Form 10-K of The Clorox 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 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 U.S. 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; and

   (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.
5. The registrant's other certifying officer 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.

Date: August 10, 2021

/s/ Linda Rendle
Linda Rendle
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Kevin B. Jacobsen, certify that:

1. I have reviewed this annual report on Form 10-K of The Clorox 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 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 U.S. 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; and
   (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.
5. The registrant's other certifying officer 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.

Date: August 10, 2021

/s/ Kevin B. Jacobsen

Kevin B. Jacobsen
Executive Vice President - Chief Financial Officer

Exhibit 32

CERTIFICATION

In connection with the periodic report of The Clorox Company (the “Company”) on Form 10-K for the period ended June 30, 2021, as filed with the Securities and Exchange Commission (the “Report”), we, Linda Rendle, Chief Executive Officer of the Company, and Kevin B. Jacobsen, Executive Vice President – Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to our knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: August 10, 2021

/s/ Linda Rendle
Linda Rendle
Chief Executive Officer

/s/ Kevin B. Jacobsen
Kevin B. Jacobsen
Executive Vice President – Chief Financial Officer

Exhibit 99.1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The Clorox Company
(Dollars in millions, except per share data)

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of The Clorox Company's (the Company or Clorox) financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. In certain instances, parenthetical references are made to relevant sections of the Notes to Consolidated Financial Statements to direct the reader to a further detailed discussion. This section should be read in conjunction with the Consolidated Financial Statements and Supplementary Data included in this Annual Report on Form 10-K.

The following sections are included herein:

- Executive Overview
- Results of Operations
- Financial Position and Liquidity
- Contingencies
- Quantitative and Qualitative Disclosures about Market Risk
- Recently Issued Accounting Standards
- Critical Accounting Policies and Estimates
- Summary of Non-GAAP Financial Measures

EXECUTIVE OVERVIEW

Clorox is a leading multinational manufacturer and marketer of consumer and professional products with fiscal year 2021 net sales of $7,341 and about 9,000 employees worldwide as of June 30, 2021. Clorox sells its products primarily through mass retailers, grocery outlets, warehouse clubs, dollar stores, home hardware centers, drug, pet and military stores, third-party and owned e-commerce channels, and distributors. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products; Pine-Sol® cleaners; Liquid-Plumr® clog removers; Poett® home care products; Fresh Step® cat litter; Glad® bags and wraps; Kingsford® grilling products; Hidden Valley® dressings, dips, seasonings and sauces; Brita® water-filtration systems and filters; Burt's Bees® natural personal care products; and RenewLife®, Rainbow Light®, Natural Vitality®, and NeoCell® vitamins, minerals and supplements. The Company also markets industry-leading products and technologies for professional customers, including those sold under the CloroxPro™ and Clorox Healthcare® brand names. The Company has operations in more than 25 countries or territories and sells its products in more than 100 markets.

The Company primarily markets its leading brands in midsized categories considered to be financially attractive. Most of the Company's products compete with other nationally advertised brands within each category and with "private label" brands.

The Company operates through strategic business units (SBUs) that are also the Company's operating segments. These SBUs are then aggregated into four reportable segments: Health and Wellness, Household, Lifestyle and International. These four reportable segments consist of the following:

- *Health and Wellness* consists of cleaning products, professional products, and vitamins, minerals and supplement products mainly marketed and sold in the U.S. Products within this segment include cleaning products such as laundry additives and home care products, primarily under the Clorox®, Clorox2®, Scentiva®, Pine-Sol®, Liquid-Plumr®, Tilex®, and Formula 409® brands; professional cleaning and disinfecting products under the CloroxPro™, Clorox Healthcare®, and Clorox® Total 360® brands; professional food service products under the Hidden Valley® brand; and vitamins, minerals and supplement products under the RenewLife®, Natural Vitality®, NeoCell®, and Rainbow Light® brands.

- *Household* consists of cat litter products, bags and wraps, and grilling products marketed and sold in the U.S. Products within this segment include cat litter products under the Fresh Step®, Scoop Away® and Ever Clean® brands, bags and wraps under the Glad® brand; and grilling products under the Kingsford® and Kingsford® Match Light® brands.

- *Lifestyle* consists of food, natural personal care products, and water-filtration marketed and sold in the U.S. Products within this segment include dressings, dips, seasonings and sauces, primarily under the Hidden Valley® brand; natural personal care products under the Burt's Bees® brand; and water-filtration systems and filters under the Brita® brand.

- *International* consists of products sold outside the U.S. Products within this segment include laundry additives; home care products; water-filtration systems and filters; digestive health products; grilling products; cat litter products; food products; bags and wraps; natural personal care products; and professional cleaning and disinfecting products marketed primarily under the Clorox®, Ayudin®, Clorinda®, Poett®, Pine-Sol®, Glad®, Brita®, RenewLife®, Ever Clean® and Burt's Bees® brands.

Non-GAAP Financial Measures

This Executive Overview, the succeeding sections of MD&A and Exhibit 99.2 may include certain financial measures that are not defined by accounting principles generally accepted in the United States of America (U.S. GAAP). These measures, which are referred to as non-GAAP measures, are listed below:

- *Free cash flow and free cash flow as a percentage of net sales.* Free cash flow is calculated as net cash provided by operations less capital expenditures.
- *Earnings before interest and taxes (EBIT) margin (the ratio of EBIT to net sales)*
- *Earnings before interest, taxes, depreciation and amortization and other similar non-cash charges (such as non-cash asset impairment charges and other non-cash, non-recurring gains or losses) (Consolidated EBITDA, as defined in our Credit Agreement) to interest expense ratio (Interest Coverage ratio)*
- *Economic profit (EP)* is defined by the Company as earnings before income taxes, excluding non-cash U.S. GAAP items (such as restructuring and intangible asset impairment charges, non-cash gains or losses), and interest expense; less income taxes (calculated based on the Company's effective tax rate excluding the identified U.S. GAAP items), and less after tax profit attributable to noncontrolling interests, and less a capital charge (calculated as average capital employed multiplied by a cost of capital rate).
- *Organic sales growth / (decrease)* is defined as net sales growth excluding the effect of foreign exchange rate changes and any acquisitions and divestitures.

For a discussion of these measures and the reasons management believes they are useful to investors, refer to "*Summary of Non-GAAP Financial Measures*" below. To the extent applicable, this MD&A and Exhibit 99.2 include reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP.

Fiscal Year 2021 Financial Highlights

A detailed discussion of strategic goals, key initiatives and results of operations is included below. Key fiscal year 2021 financial results are summarized as follows:

- The Company's fiscal year 2021 net sales increased by 9% to $7,341 from $6,721 in fiscal year 2020, reflecting higher shipments across all reportable segments primarily driven by higher shipments due to the ongoing COVID-19 pandemic.
- Gross margin decreased by 200 basis points to 43.6% in fiscal year 2021 from 45.6% in fiscal year 2020. The decrease was primarily driven by higher manufacturing and logistics costs and increased commodity costs, partially offset by higher volume, cost savings, and lower trade promotion spending.
- The Company reported earnings before income taxes of $900 in fiscal year 2021, compared to $1,185 in fiscal year 2020. The Company reported earnings attributable to Clorox of $710 in fiscal year 2021, compared to $939 in fiscal year 2020.
- The Company delivered diluted net earnings per share (EPS) of $5.58 in fiscal year 2021, a decrease of approximately 24%, or $1.78, from fiscal year 2020 diluted net EPS of $7.36. The decrease was primarily due to the non-cash impairment charges on assets held by the Vitamins, Minerals, and Supplements (VMS) business, higher manufacturing and logistics costs, and increased advertising investments, partially offset by net sales growth and the remeasurement gain recognized on the previously held equity interest in the Saudi joint venture.
- EP decreased by 5% to $672 in fiscal year 2021, compared to $706 in fiscal year 2020 (refer to the reconciliation of EP to earnings before income taxes in Exhibit 99.2).

- The Company’s net cash provided by operations was $1,276 in fiscal year 2021, compared to $1,546 in fiscal year 2020. Free cash flow was $945 or 12.9% of net sales in fiscal year 2021, compared to $1,292 or 19.2% of net sales in fiscal year 2020 (refer to the reconciliation of net cash provided by operations to free cash flow in “*Financial Position and Liquidity - Investing - Free Cash Flow*”).
- The Company paid $558 in cash dividends to stockholders in fiscal year 2021, compared to $533 in cash dividends in fiscal year 2020. In June 2021, the Company announced an increase of 5% in its quarterly cash dividend from the prior year.
- In fiscal year 2021, the Company repurchased 4,758 thousand shares of its common stock at an aggregate cost of $905 under its two stock repurchase programs.

Strategic Goals and Initiatives

As announced in 2019, the IGNITE strategy is intended to accelerate innovation in key areas of the business to drive growth and deliver value for both the Company's shareholders and society. Specifically, IGNITE focuses on four strategic choices to deliver purpose-driven growth: Fuel Growth, Innovate Experiences, Reimagine Work and Evolve Portfolio, and goals for environmental, social and governance, performance in the areas of Planet, Product, People and Governance also are integrated into the strategy. The Company’s long-term financial goals reflected in IGNITE include annual net sales growth of 3% to 5% — increased from 2% to 4% in 2021 — annual EBIT margin expansion of 25 to 50 basis points and annual free cash flow of 11% to 13%.

Recent Events Related to COVID-19

For the fiscal year ended June 30, 2021, the COVID-19 pandemic continued to cause economic and social disruptions that led to ongoing uncertainties. Demand for products across the Company portfolio remained elevated compared to pre-pandemic levels even while U.S. consumers continued to adjust some behaviors as vaccination rates improved. The pandemic also contributed to a more pronounced inflationary environment in the back half of the fiscal year, marked by higher manufacturing and logistics costs as well as increased commodity costs.

Throughout fiscal year 2021, our priorities remained the Company’s guiding principles:

- Continuing to take steps to enhance the well-being of the Company’s global workforce and communities and to protect public health.
- Increasing capacity to provide needed products, primarily disinfecting and cleaning to help keep people safe, while sustaining the Company’s manufacturing operations and safety standards.
- Addressing supply-chain disruptions and volatility in commodity costs and foreign exchange markets.

As the world moves into new phases of the pandemic, the Company will continue to focus on these priorities, while continuing to strive to serve people as consumer behaviors evolve inside and outside the home.

The extent of COVID-19’s effect on the Company’s operational and financial performance in the future will depend on future developments, including the duration, spread and intensity of the pandemic in different countries, including the emergence of COVID-19 variants for which vaccines may not be currently effective, the Company’s continued ability to manufacture and distribute its products, any future government actions affecting consumers and the economy in general, and timing and effectiveness of global vaccines, all of which are uncertain and difficult to predict considering the rapidly evolving landscape as the Company continues to expect a variable operating environment going forward.

For further discussion of the possible impacts of the COVID-19 pandemic on our business, financial conditions and results of operations, see “Risk Factors” in Part I, Item 1A of this Report.

RESULTS OF OPERATIONS

Unless otherwise noted, MD&A compares results of operations from fiscal year 2021 to fiscal year 2020, with percentage and basis point calculations based on rounded numbers, except for per share data and the effective tax rate. Discussions of fiscal year 2019 items and year-to-year comparisons between fiscal years 2020 and 2019 that are not included in this Annual Report on Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

CONSOLIDATED RESULTS

	2021	2020	% Change 2021 to 2020
Net sales	**$ 7,341**	$ 6,721	**9 %**

	Year Ended June 30, 2021 Percentage change versus the year-ago period						
	Reported (GAAP) Net Sales Growth / (Decrease)	Reported Volume	Acquisitions & Divestitures	Foreign Exchange Impact	Price/Mix/Other (1)	Organic Sales Growth / (Decrease) (Non-GAAP) (2)	Organic Volume (3)
Health and Wellness	8 %	7 %	— %	— %	1 %	8 %	7 %
Household	10	9	—	—	1	10	9
Lifestyle	6	6	—	—	—	6	6
International	14	9	8	(3)	7	9	2
Total	**9 %**	**7 %**	**1 %**	**(1) %**	**3 %**	**9 %**	**6 %**

(1) This represents the net impact on net sales growth from pricing actions, mix and other factors.
(2) Organic sales growth is defined as net sales growth excluding the effect of foreign exchange rate changes and any acquisitions and divestitures. See "Non-GAAP Financial Measures" below for reconciliation of organic sales growth to net sales growth, the most directly comparable GAAP financial measure.
(3) Organic volume represents volume excluding the effect of any acquisitions and divestitures. In the year ended June 30, 2021, the volume impact of acquisitions was 7% and 1% for International and Total Company, respectively.

Net sales in fiscal year 2021 increased by 9%, reflecting higher shipments across all reportable segments primarily driven by higher shipments due to the ongoing COVID-19 pandemic. Volume increased by 7% versus the prior period. The variance between volume growth and net sales growth was primarily due to the impact of lower trade promotion spending.

	2021	2020	% Change 2021 to 2020
Gross profit	**$ 3,199**	$ 3,063	**4 %**
Gross margin	**43.6 %**	45.6 %	

Gross margin decreased by 200 basis points in fiscal year 2021 from 45.6% to 43.6%. The decrease was primarily driven by higher manufacturing and logistics costs and increased commodity costs, partially offset by higher volume, cost savings, and lower trade promotion spending.

Expenses

	2021	2020	% Change 2021 to 2020	% of Net sales 2021	% of Net sales 2020
Selling and administrative expenses	**$ 1,004**	$ 969	**4 %**	**13.7 %**	14.4 %
Advertising costs	**790**	675	**17**	**10.8**	10.0
Research and development costs	**149**	145	**3**	**2.0**	2.2

Selling and administrative expenses, as a percentage of net sales, decreased by 70 basis points in fiscal year 2021. The dollar increase in selling and administrative expenses was primarily due to increased investments in several growth opportunities. Fiscal year 2021 also reflects lower incentive compensation expenses as compared to the prior year, consistent with the Company's performance-based compensation philosophy.

Advertising costs, as a percentage of net sales, increased by 80 basis points in fiscal year 2021. The increase in advertising expenses reflected the Company's continued support behind its brands. The Company's U.S. retail advertising spend as a percentage of net sales was 12% for fiscal year 2021 and 11% for fiscal year 2020, respectively.

Research and development costs, as a percentage of net sales, decreased by 20 basis points in fiscal year 2021, but were essentially flat in terms of dollars. The Company continues to invest behind product innovation and cost savings.

Goodwill, trademark and other asset impairments, Interest expense, Other (income) expense, net, and the effective tax rate on earnings

	2021	2020
Goodwill, trademark and other asset impairments	**$ 329**	$ —
Interest expense	**99**	99
Other (income) expense, net	**(72)**	(10)
Effective tax rate on earnings	**20.1 %**	20.8 %

Goodwill, trademark and other asset impairments of $329 in fiscal year 2021 reflect non-cash impairment charges related to goodwill, trademarks, and other assets held by the VMS business (included within the Health and Wellness segment). See Notes to Consolidated Financial Statements for further information regarding the impairments recorded.

Interest expense was essentially flat in fiscal year 2021 as compared to fiscal year 2020.

Other (income) expense, net was ($72) and ($10) in fiscal year 2021 and fiscal year 2020, respectively. The variance was primarily due to the one-time, non-cash remeasurement gain recognized from the Company's previously held equity interest in the Saudi joint venture in the first quarter of fiscal year 2021 (see Notes to Consolidated Financial Statements).

The effective tax rate on earnings (losses) was 20.1% and 20.8% in fiscal year 2021 and 2020, respectively.

Diluted net earnings per share

	2021	2020	% Change 2021 to 2020
Diluted net EPS	**$ 5.58**	$ 7.36	**(24) %**

Diluted net earnings per share (EPS) decreased by $1.78, or 24%, in fiscal year 2021, primarily due to the non-cash impairment charges on assets held by the VMS business, higher manufacturing and logistics costs, and increased advertising investments, partially offset by net sales growth and the remeasurement gain recognized on the previously held equity interest in the Saudi joint venture.

SEGMENT RESULTS

The following presents the results of the Company's reportable segments and certain unallocated costs reflected in Corporate (see Notes to Consolidated Financial Statements for a reconciliation of segment results to consolidated results):

Health and Wellness

	2021	2020	% Change 2021 to 2020
Net sales	**$ 2,980**	$ 2,749	**8 %**
Earnings before income taxes	**305**	766	**(60)**

Fiscal year 2021 versus fiscal year 2020: Volume and net sales increased by 7%, and 8%, respectively, and earnings before income taxes decreased by 60%, during fiscal year 2021. The volume and net sales growth reflected higher shipments in all strategic business units due to greater demand inside and outside of the home. The variance between volume and net sales was primarily due to lower trader promotion, partially offset by unfavorable mix. The decrease in earnings before income taxes in the current period was primarily due to the non-cash impairment charges on assets held by the VMS business, higher manufacturing and logistics costs, advertising investment, and selling and administrative expenses, partially offset by net sales growth.

Household

	2021	2020	% Change 2021 to 2020
Net sales	**$ 1,981**	$ 1,795	**10 %**
Earnings before income taxes	**375**	347	**8**

Fiscal year 2021 versus fiscal year 2020: Volume, net sales and earnings before income taxes increased by 9%, 10% and 8%, respectively, during fiscal year 2021. The volume growth was primarily driven by higher shipments in Grilling from higher consumer demand. The increase in earnings before income taxes was mainly due to net sales growth and cost savings, partially offset by higher manufacturing and logistics costs, commodity costs, and advertising investments.

Lifestyle

	2021	2020	% Change 2021 to 2020
Net sales	**$ 1,218**	$ 1,154	**6 %**
Earnings before income taxes	**320**	320	—

Fiscal year 2021 versus fiscal year 2020: Volume and net sales increased by 6%, and earnings before income taxes were essentially flat during fiscal year 2021 as compared to fiscal year 2020. Both volume growth and net sales growth were primarily driven by higher shipments of Food and Brita water filtration products mainly due to greater demand by consumers and strategic brand investments. The Natural Personal Care business declined due to lower store traffic associated with the COVID-19 pandemic. Earnings before income taxes were essentially flat due to net sales growth, offset by higher manufacturing and logistics costs.

International

	2021	2020	% Change 2021 to 2020
Net sales	**$ 1,162**	$ 1,023	**14 %**
Earnings before income taxes	**201**	116	**73**

Fiscal year 2021 versus fiscal year 2020: Volume, net sales and earnings before income taxes increased by 9%, 14% and 73%, respectively, during fiscal year 2021. The volume increase was primarily driven by higher shipments from ongoing demand for disinfecting and other household products in every geographic region, as well as the impact of the Saudi joint venture acquisition. The variance between volume and net sales was mainly due to favorable mix and the benefit of price increases implemented to offset inflation, partially offset by the impact of unfavorable foreign currency exchange rates. The increase in earnings before income taxes was primarily due to the remeasurement gain recognized on the previously held equity interest in the Saudi joint venture.

Argentina

The business environment in Argentina continues to be challenging due to significant volatility in Argentina's currency, high inflation, an economic recession, and impacts of COVID-19 and temporary price controls. The Company operates in Argentina through certain wholly owned subsidiaries (collectively, "Clorox Argentina"). Clorox Argentina manufactures products at two plants that it owns and operates across Argentina.

Effective July 1, 2018, under the requirements of U.S. GAAP, Argentina was designated as a highly inflationary economy, and as a result, the U.S. dollar replaced the Argentine peso as the functional currency of the Company's subsidiaries in Argentina. Consequently, gains and losses from non-U.S. dollar denominated monetary assets and liabilities of Clorox Argentina are recognized in Other (income) expense, net in the consolidated statement of earnings.

As of September 2019, the government of Argentina reinstated foreign exchange controls in response to further declines in the value of the Argentine peso, limiting the Company's ability to convert Argentine pesos to U.S. dollars and transfer U.S. dollars outside of Argentina. As of June 30, 2021 and June 30, 2020, the net asset position, excluding goodwill, of Clorox Argentina was $48 and $44, respectively. Of these net assets, cash balances were approximately $11 and $19 as of June 30, 2021 and 2020, respectively. Net sales from Clorox Argentina represented approximately 2% of the Company's consolidated net sales for the fiscal years ended June 30, 2021 and 2020.

Volatility in the exchange rate is expected to continue, which, along with competition, changes in the retail, labor and macro-economic environment, and implemented and future additional legal limitations instituted to restrict foreign exchange transactions, as well as government price controls, could have an adverse impact on Clorox Argentina's liquidity, net sales, net earnings, cash flows and net monetary asset position. The Company is closely monitoring developments in Argentina and continues to take steps intended to mitigate the adverse conditions, but there can be no assurances that these actions will be able to mitigate these conditions as they may occur.

Corporate

	2021	2020	% Change 2021 to 2020
Losses before income taxes	**$ (301)**	$ (364)	**(17) %**

Corporate includes certain non-allocated administrative costs, interest income, interest expense and various other non-operating income and expenses.

Fiscal year 2021 versus fiscal year 2020: The decrease in losses before income taxes was primarily driven by lower employee incentive compensation expenses, consistent with the Company's performance-based compensation philosophy.

FINANCIAL POSITION AND LIQUIDITY

Management's discussion and analysis of the Company's financial position and liquidity describes its consolidated operating, investing and financing activities from operations, contractual obligations and off-balance sheet arrangements.

The Company's cash position includes amounts held by foreign subsidiaries and, as a result, the repatriation of certain cash balances from some of the Company's foreign subsidiaries could result in additional tax costs. However, these cash balances are generally available without legal restriction to fund local business operations. In addition, a portion of the Company's cash balance is held in U.S. dollars by foreign subsidiaries, whose functional currency is their local currency. Such U.S. dollar balances are reported on the foreign subsidiaries' books, in their functional currency, with the impact from foreign currency exchange rate differences recorded in Other (income) expense, net.

The Company's financial condition and liquidity remained strong as of June 30, 2021. The following table summarizes cash activities for the years ended June 30:

	2021	2020
Net cash provided by operations	**$ 1,276**	$ 1,546
Net cash used for investing activities	**(452)**	(252)
Net cash used for financing activities	**(1,391)**	(523)

Operating Activities

Net cash provided by operations was $1,276 in fiscal year 2021, compared with $1,546 in fiscal year 2020. The year-over-year decrease was driven by an increase in net working capital (higher inventories in the current year primarily due to increased production and higher payables in the current period due to the extension of payment terms with suppliers and increased production levels primarily to improve inventory availability, offset by cash inflows from collections from higher sales in the last quarter of the prior fiscal year). The decrease was also driven by higher employee incentive compensation payments related to the Company's strong 2020 fiscal year results and due to the timing of tax payments.

Payment Terms Extension and Supply Chain Financing

The Company initiated the extension of its payment terms with its suppliers in the second half of fiscal year 2020 in order to improve working capital as part of and to fund the IGNITE strategy and in keeping with evolving market practices. As part of those efforts, the Company has arranged for a global financial institution to offer a voluntary supply chain finance (SCF) program for the benefit of the Company's suppliers. Leveraging the Company's credit rating, the SCF program enables suppliers to directly contract with the financial institution to receive payment from the financial institution prior to the payment terms between the Company and the supplier, by selling the Company's payables to the financial institution. The participation in the program is at the sole discretion of the supplier and the Company has no economic interest in a supplier's decision to enter into the agreement and has no direct financial relationship with the financial institution. Once a supplier elects to participate in the SCF program and reaches an agreement with the financial institution, the supplier elects which individual Company invoices to sell to the financial institution. The terms of the Company's payment obligations are not impacted by a supplier's participation in the program.

All outstanding amounts related to suppliers participating in SCF are recorded within Accounts payable and accrued expenses in the Consolidated Balance Sheets and the associated payments are included in operating activities within the Consolidated Statements of Cash Flows. As of June 30, 2021 and 2020, the amount due to suppliers participating in SCF and included in Accounts payable and accrued expenses was $152 and $6, respectively.

Investing Activities

Net cash used for investing activities was $452 in fiscal year 2021, as compared to $252 in fiscal year 2020. The year-over-year increase was mainly due to the acquisition of additional interest in the Company's Saudi joint venture and higher capital spending to increase manufacturing capacity.

Capital expenditures were $331 and $254 in fiscal years 2021 and 2020, respectively. Capital expenditures as a percentage of net sales was 4.5% and 3.8% for fiscal years 2021 and 2020, respectively. The current year-over-year increase was due to expanding production capacity to address elevated demand for and improve availability of the Company's products and to support long-term growth opportunities.

Free cash flow

	2021	2020
Net cash provided by operations	**$ 1,276**	$ 1,546
Less: capital expenditures	**(331)**	(254)
Free cash flow	**$ 945**	$ 1,292
Free cash flow as a percentage of net sales	**12.9 %**	19.2 %

Financing Activities

Net cash used for financing activities was $1,391 in fiscal year 2021, compared with $523 in fiscal year 2020. The year-over-year increase was mainly due to higher treasury stock repurchases in the current fiscal year and net cash sourced from borrowings in the prior fiscal year.

Capital Resources and Liquidity

The Company maintains a $1,200 revolving credit agreement (the Credit Agreement) that matures in November 2024. Global financial markets have experienced a significant increase in volatility due to heightened uncertainty over the adverse economic impact caused by COVID-19. Notwithstanding these potential adverse market conditions, the Company believes it will have the funds necessary to support our short-term liquidity and operating needs based on our anticipated ability to generate positive cash flows from operations in the future, access to capital markets enabled by our strong short-term and long-term credit ratings, and current borrowing availability under the credit agreement.

As previously announced, Clorox plans to invest approximately $500 million over the next five years in its digital capabilities and for productivity enhancements. These investments are expected to be funded through cash generated from operations.

The Company may consider other transactions that require the issuance of additional long- and/or short-term debt or other securities to finance acquisitions, repurchase stock, refinance debt or fund other activities for general business purposes. Such transactions could require funds in excess of the Company's current cash levels and available credit lines, and the Company's access to or cost of such additional funds could be adversely affected by any decrease in credit ratings, which were the following as of June 30:

	2021		2020	
	Short-term	**Long-term**	Short-term	Long-term
Standard and Poor's	**A-2**	**A-**	A-2	A-
Moody's	**P-2**	**Baa1**	P-2	Baa1

Credit Arrangements

There were no borrowings under the Credit Agreement as of June 30, 2021 and June 30, 2020, and the Company believes that borrowings under the Credit Agreement are and will continue to be available for general corporate purposes. The Credit Agreement includes certain restrictive covenants and limitations. The primary restrictive covenant is a minimum ratio of 4.0 calculated as total earnings before interest, taxes, depreciation and amortization, non-cash asset impairment charges and other non-cash, non-recurring gains or losses (Consolidated EBITDA) to total interest expense for the trailing four quarters (Interest Coverage ratio), as defined and described in the Credit Agreement.

The following table sets forth the calculation of the Interest Coverage ratio as of June 30, 2021, using Consolidated EBITDA for the trailing four quarters, as contractually defined in the Credit Agreement:

		2021
Earnings from operations	$	719
Add back:		
Interest expense		99
Income tax expense		181
Depreciation and amortization		211
Non-cash asset impairment charges(1)		357
Less:		
Interest income		(5)
Non-recurring, non-cash gain(2)	$	(85)
Consolidated EBITDA	$	1,477
Interest expense	$	99
Interest Coverage ratio		**14.9**

(1) Includes goodwill, trademark, other asset impairments and other non-cash charges recorded impacting the VMS and Professional Products SBUs (see Notes to Consolidated Financial Statements)
(2) Non-recurring, non-cash gain from the remeasurement of the Company's previously held investment in its Saudi joint venture (see Notes to Consolidated Financial Statements).

The Company was in compliance with all restrictive covenants and limitations in the Credit Agreement as of June 30, 2021, and anticipates being in compliance with all restrictive covenants for the foreseeable future. The Company continues to monitor the financial markets and assess its ability to fully draw on its Credit Agreement, and currently expects it will continue to have access to borrowing under the Credit Agreement.

As of June 30, 2021, the Company maintained $35 of foreign and other credit lines, of which $5 was outstanding and the remainder of $30 was available for borrowing.

As of June 30, 2020, the Company maintained $38 of foreign and other credit lines, of which $3 was outstanding and the remainder of $35 was available for borrowing.

Short-term Borrowings

The Company's notes and loans payable primarily consist of U.S. commercial paper issued by the parent company and any borrowings under the Credit Agreement. These short-term borrowings have stated maturities of less than one year and provide supplemental funding for supporting operations. The level of U.S. commercial paper borrowings generally fluctuates depending upon the amount and timing of operating cash flows and payments for items such as dividends, income taxes, stock repurchases and pension contributions. The average balance of short-term borrowings outstanding was $0 and $411 for the fiscal years ended June 30, 2021 and 2020, respectively.

Long-term Borrowings

In May 2020, the Company issued $500 of senior notes with an annual fixed interest rate of 1.80% and a maturity date of May 15, 2030 and used the proceeds to repay short-term borrowings under the Credit Agreement and for general corporate purposes. Interest on the notes is payable semi-annually in May and November. The notes carry an effective interest rate of 1.96% (See Notes to Consolidated Financial Statements). The notes rank equally with all of the Company's existing senior indebtedness.

Stock Repurchases and Dividend Payments

As of June 30, 2021, the Company had two stock repurchase programs: an open-market purchase program with an authorized aggregate purchase amount of up to $2,000, which has no expiration date and was authorized by the Board of Directors in May 2018, and a program to offset the anticipated impact of dilution related to stock-based awards (the Evergreen Program), which has no authorization limit on the dollar amount and no expiration date.

Stock repurchases under the two stock repurchase programs were as follows during the fiscal years ended June 30:

	2021		2020	
	Amount	**Shares (in thousands)**	**Amount**	**Shares (in thousands)**
Open-market purchase program	**$ 500**	**2,774**	$ 85	577
Evergreen Program	**405**	**1,984**	157	954
Total stock repurchases	**$ 905**	**4,758**	$ 242	1,531

Dividends per share and total dividends paid to Clorox stockholders were as follows during the fiscal years ended June 30:

	2021	2020
Dividends per share declared	**$ 4.49**	$ 4.29
Dividends per share paid	**4.44**	4.24
Total dividends paid	**558**	533

On June 2, 2021, the Company declared a 5% increase in the quarterly dividend, from $1.11 to $1.16 per share, payable on August 13, 2021 to common stockholders of record as of the close of business on July 28, 2021.

On May 19, 2020, the Company declared a 5% increase in the quarterly dividend, from $1.06 to $1.11 per share, payable on August 14, 2020 to common stockholders of record as of the close of business on July 29, 2020.

Contractual Obligations

The Company had contractual obligations as of June 30, 2021, payable or maturing in the following fiscal years:

	2022	2023	2024	2025	2026	Thereafter	Total
Notes, loans payable and long-term debt maturities including interest payments	$ 383	$ 669	$ 59	$ 550	$ 41	$ 1,494	$ 3,196
Purchase obligations (1)	254	96	53	26	17	27	473
Operating and finance leases	91	73	61	52	45	111	433
Payments related to nonqualified retirement income and retirement health care plans (2)	16	16	16	16	16	73	153
Venture Agreement terminal obligation (3)	—	—	—	—	613	—	613
Total	$ 744	$ 854	$ 189	$ 644	$ 732	$ 1,705	$ 4,868

(1) Purchase obligations are defined as purchase agreements that are enforceable and legally binding and that contain specified or determinable significant terms, including quantity, price and the approximate timing of the transaction. For purchase obligations subject to variable price and/or quantity provisions, an estimate of the price and/or quantity has been made. Examples of the Company's purchase obligations include contracts to purchase raw materials, commitments to contract manufacturers, commitments for information technology and related services, advertising contracts, capital expenditure agreements, software acquisition and license commitments and service contracts. The raw material contracts included above are entered into during the regular course of business based on expectations of future purchases. Many of these raw material contracts are flexible to allow for changes in the Company's business and related requirements. If such changes were to occur, the Company believes its exposure could differ from the amounts listed above. Any amounts reflected in the consolidated balance sheets as Accounts payable and accrued liabilities are excluded from the table above, as they are short-term in nature and expected to be paid within one year.

(2) These amounts represent expected payments through 2031. Based on the accounting rules for nonqualified retirement income and retirement health care plans, the liabilities reflected in the Company's consolidated balance sheets differ from these expected future payments (see Notes to Consolidated Financial Statements).

(3) The Company has a venture agreement with The Procter & Gamble Company (P&G) for the Company's Glad bags and wraps business (the Venture Agreement). As of June 30, 2021, P&G had a 20% interest in the venture. Upon termination of the agreement in January 2026, the Company is required to purchase P&G's 20% interest for cash at fair value as established by predetermined valuation procedures. Refer to the Notes to Consolidated Financial Statements for further details.

Off-Balance Sheet Arrangements

In conjunction with divestitures and other transactions, the Company may provide typical indemnifications (e.g., indemnifications for representations and warranties and retention of previously existing environmental, tax and employee liabilities) that have terms that vary in duration and in the potential amount of the total obligation and, in many circumstances, are not explicitly defined. The Company has not made, nor does it believe that it is probable that it will make, any material payments relating to its indemnifications, and believes that any reasonably possible payments would not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements.

The Company had not recorded any material liabilities on the aforementioned indemnifications as of June 30, 2021 and 2020.

The Company was a party to a letter of credit of $11 as of June 30, 2021 and $10 as of June 30, 2020, primarily related to one of its insurance carriers, of which $0 had been drawn upon.

CONTINGENCIES

A summary of contingencies is contained in the Notes to Consolidated Financial Statements and is incorporated herein by reference.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational company, the Company is exposed to the impact of changes in commodity prices, foreign currency fluctuations, interest-rate risk and other types of market risk.

In the normal course of business, where available at a reasonable cost, the Company manages its exposure to market risk using contractual agreements and a variety of derivative instruments. The Company's objective in managing its exposure to market risk is to limit the impact of fluctuations on earnings and cash flow through the use of derivative instruments, including over-the-counter swaps, forward purchase contracts and exchange-traded futures contracts. Over-the-counter derivative contracts are entered into for non-trading purposes with major credit-worthy institutions, thereby decreasing the risk of credit loss.

The Company uses different methodologies, when necessary, to estimate the fair value of its derivative contracts. The estimated fair values of the majority of the Company's contracts are based on quoted market prices, exchange-traded market prices or broker price quotations, and represent the estimated amounts that the Company would pay or receive to terminate the contracts.

See Notes to the Consolidated Financial Statements for further discussion of derivatives and hedging policies and fair value measurements.

Sensitivity Analysis for Derivative Contracts

For fiscal years 2021 and 2020, the Company's exposure to market risk was estimated using sensitivity analyses, which illustrate the change in the fair value of a derivative financial instrument assuming hypothetical changes in commodity prices, foreign exchange rates or interest rates. The results of the sensitivity analyses for commodity, foreign currency and interest rate derivative contracts are summarized below. Actual changes in commodity prices, foreign exchange rates or interest rates may differ from the hypothetical changes, and any changes in the fair value of the contracts, real or hypothetical, would be partly to fully offset by an inverse change in the value of the underlying hedged items.

The changes in the fair value of derivatives are recorded as either assets or liabilities in the consolidated balance sheets with an offset to Net earnings or Other comprehensive (loss) income, depending on whether or not, for accounting purposes, the derivative is designated and qualified as an accounting hedge. For those derivative instruments designated and qualifying as hedging instruments, the Company must designate the hedging instrument either as a fair value hedge or as a cash flow hedge. The Company designates its commodity swaps and futures contracts for forecasted purchases of raw materials, foreign currency forward contracts for forecasted purchases of inventory, and interest rate contracts for forecasted interest payments as cash flow hedges. During the fiscal years ended June 30, 2021 and 2020, the Company had no hedging instruments designated as fair value hedges. In the event the Company has contracts not designated as hedges for accounting purposes, the Company recognizes the changes in the fair value of these contracts in the consolidated statement of earnings.

Commodity Price Risk

The Company is exposed to changes in the price of commodities used as raw materials in the manufacturing of its products. The Company uses various strategies, where available at a reasonable cost to manage cost exposures on certain raw material purchases with the objective of obtaining more predictable costs for these commodities, including long-term commodity purchase contracts and commodity derivative contracts. During fiscal years 2021 and 2020, the Company had derivative contracts related to raw material exposures for soybean oil used for the Food products business and jet fuel used for the Grilling business.

Based on a hypothetical decrease or increase of 10% in these commodity prices as of June 30, 2021, and June 30, 2020, the estimated fair value of the Company's then-existing commodity derivative contracts would decrease or increase by $4 and $2, respectively, with the corresponding impact included in Other comprehensive (loss) income.

Foreign Currency Risk

The Company seeks to minimize the impact of certain foreign currency fluctuations by hedging transactional exposures related to inventory purchases with foreign currency forward contracts. Based on a hypothetical decrease of 10% in the value of the U.S. dollar as of June 30, 2021 and June 30, 2020, the estimated fair value of the Company's then-existing foreign currency derivative contracts would decrease by $8 and $8, respectively, with the corresponding impact included in Other comprehensive (loss) income. Based on a hypothetical increase of 10% in the value of the U.S. dollar as of June 30, 2021 and June 30, 2020, the estimated fair value of the Company's then-existing foreign currency derivative contracts would increase by $6 and $6, respectively.

Interest Rate Risk

The Company can be exposed to interest rate volatility with regard to short-term borrowings, using commercial paper or under the Credit Agreement, in addition to potential changes in interest rates relating to anticipated future issuances of long-term debt. The Company had no material exposure to interest rate volatility through any short-term borrowing arrangements during fiscal year 2021. Weighted average interest rates for short-term borrowings using commercial paper and under the Credit Agreement borrowings were 2.12% during fiscal year 2020. Assuming average commercial paper and Credit Agreement borrowing levels during fiscal years 2021 and 2020, a 100 basis point increase or decrease in interest rates would increase or decrease interest expense from short-term borrowings by approximately $0 and $4, respectively.

The Company is also exposed to interest rate volatility with regard to anticipated future issuances of debt. Primary exposures include movements in U.S. Treasury and swap rates. Based on a hypothetical increase or decrease of 100 basis points to 10-year swap rates as of June 30, 2021 and June 30, 2020, the estimated fair value of the Company's existing forward starting interest rate swap contracts would increase or decrease by $27 and $21 during fiscal year 2021 and 2020, respectively, with the corresponding impact recorded in Other comprehensive (loss) income.

RECENTLY ISSUED ACCOUNTING STANDARDS

A summary of all recently issued accounting standards is contained in Note 1 of the Notes to Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The methods, estimates, and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its consolidated financial statements. Accordingly, a different financial presentation could result depending on the judgments, estimates or assumptions that are used. The most critical accounting policies and estimates are those that are most important to the portrayal of the Company's financial condition and results, and require the Company to make the most difficult and subjective judgments, often estimating the outcome of future events that are inherently uncertain. The Company's most critical accounting policies and estimates are related to:

- Revenue recognition;
- The valuation of goodwill and other intangible assets;
- Income taxes;
- The Venture Agreement terminal obligation; and
- Business combinations.

The Company's critical accounting policies and estimates have been reviewed with the Audit Committee of the Board of Directors. A summary of the Company's significant accounting policies and estimates is contained in Note 1 of Notes to Consolidated Financial Statements.

Revenue Recognition

The Company’s revenue is primarily generated from the sale of finished products to customers. This revenue is reported net of certain variable consideration provided to customers, generally in the form of one-time and ongoing trade-promotion programs. These trade-promotion programs include shelf price reductions, in-store merchandising, consumer coupons, and other trade-related activities. Amounts accrued for trade-promotions are based on various factors such as contractual terms and sales volumes, and also incorporate estimates that include customer participation rates, the rate at which customers will achieve program performance criteria, product availability, and consumer redemption rates. The actual amounts remitted to customers for these activities may differ from the Company’s estimates, depending on how actual results of the programs compare to the estimates. If the Company’s trade promotion accrual estimates as of June 30, 2021 were to increase or decrease by 10%, the impact on net sales would be approximately $21.

Goodwill and Other Intangible Assets

The Company tests its goodwill and other indefinite-lived intangible assets for impairment annually in the fiscal fourth quarter unless there are indications during a different interim period that these assets may have become impaired.

Goodwill

For fiscal year 2021, the Company’s reporting units for goodwill impairment testing purposes were its individual SBUs. These reporting units, which are also the Company’s operating segments, are the level at which discrete financial information is available and reviewed by the manager of the respective operating segments. The respective operating segment managers, who have responsibility for operating decisions, allocating resources and assessing performance within their respective segments, do not review financial information for components that are below the operating segment level.

In its evaluation of goodwill impairment, the Company has the option to first assess qualitative factors such as the maturity and stability of the reporting unit, the magnitude of the excess fair value over the carrying value from a prior period’s impairment testing, other reporting unit operating results, micro and macroeconomic factors as well as new events and circumstances impacting the operations at the reporting unit level. If the test indicates a potential for impairment, a quantitative test is performed. In the quantitative test the Company compares the estimated fair value of each reporting unit to its carrying value. If the estimated fair value of any reporting unit is less than its carrying value, an impairment charge is recorded for the difference between the carrying value and the fair value of the reporting unit.

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow (DCF) method under the income approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF method are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the long-term business strategy. The other key estimates and factors used in the DCF method include, but are not limited to, net sales and expense growth rates, commodity prices, foreign exchange rates, inflation and a terminal growth rate. Future changes in the judgments, assumptions and estimates that are used in the impairment testing for goodwill could result in significantly different estimates of the fair values.
During the third quarter of fiscal year 2021, as a result of lower than expected actual and projected net sales growth and operating performance for the VMS SBU, a strategic review was initiated by management that resulted in updated financial and operational plans. These events were considered a triggering event requiring interim impairment assessments to be performed on the VMS reporting unit, indefinite-lived trademarks and other assets. Based on the outcome of these assessments, a $228 goodwill impairment charge was recorded during the third quarter of fiscal year 2021. The VMS SBU had goodwill following the impairment charge of $306 as of June 30, 2021. As the VMS reporting unit's carrying value was written down to its estimated fair value, this reporting unit had 20% or less excess fair value over carrying amount as of its latest fiscal year 2021 impairment testing date and is considered to have a heightened risk of future impairments if any assumptions, estimates, or market factors unfavorably change in the future. The Company is closely monitoring any events, circumstances or changes in this business that might imply a further reduction in the estimated fair value and lead to an additional goodwill impairment. No other impairments for goodwill were identified during fiscal year 2021.

Trademarks and Other Indefinite-Lived Intangible Assets

For trademarks and other intangible assets with indefinite lives, the Company has the option to first assess qualitative factors, such as the maturity and stability of the trademark or other intangible asset, the magnitude of the excess fair value over carrying value from a prior period’s impairment testing, other specific operating results, as well as new events and circumstances impacting the significant inputs used to determine the fair value of the intangible asset. If the result of a qualitative test indicates that it is more likely that not that the asset is impaired a quantitative test is performed. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying value. If the carrying value of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying value and the estimated fair value. The Company uses a DCF method under the relief from royalty income approach to estimate the fair value of its trademarks and other intangible assets with indefinite lives. This approach requires significant judgments in determining the royalty rates and the assets' estimated cash flows, including consideration of related net sales growth rates, as well as the appropriate discount and foreign exchange rates applied to those cash flows to determine fair value. Future changes in such estimates or the use of alternative assumptions could result in significantly different estimates of the fair values.

During the third quarter of fiscal year 2021, as as result of the interim impairment assessments performed on various VMS assets, an $86 impairment charge to indefinite-lived trademarks was recorded. No other impairments for trademarks or other intangible assets with indefinite lives were identified in fiscal year 2021.

Finite-Lived Intangible Assets

Finite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances occur that indicate that the carrying value of an asset (or asset group) may not be recoverable. The Company's impairment review requires significant judgment by management, including estimating the future success of product lines, future sales volumes, revenue and expense growth rates, alternative uses for the assets and proceeds from the disposal of the assets. The Company reviews business plans for possible impairment indicators. The risk of impairment is initially assessed based on an estimate of the undiscounted cash flows at the lowest level for which identifiable cash flows exist. The asset (or asset group) is not recoverable when the carrying value of the asset exceeds the estimated future undiscounted cash flows generated by the asset. When impairment is indicated, an impairment charge is recorded for the difference between the asset's (or asset group's) carrying value and its estimated fair value. Depending on the asset, estimated fair value may be determined either by use of a DCF method or, if available, by reference to estimated selling values of assets in similar condition. Future changes in such estimates or the use of alternative assumptions could result in significantly different estimates of the fair values.

During the third quarter of fiscal year 2021, as as result of the interim impairment assessments performed on various VMS assets, a $14 impairment charge to finite-lived intangible assets was recorded.

Additionally during the fourth quarter of fiscal year 2021, an impairment charge of $14 was recorded related to other intangible assets with finite lives that were no longer expected to be recoverable due to a pending exit from from a Professional Products SBU supplier relationship. No other impairments for finite-lived intangible assets were identified in fiscal year 2021.

Income Taxes

The Company's effective tax rate is based on income by tax jurisdiction, statutory tax rates and tax planning opportunities available to the Company in the various jurisdictions in which the Company operates. Significant judgment is required in determining the Company's effective tax rate and in evaluating its tax positions.

The Company maintains valuation allowances when it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company's income tax provision in the period of change. In determining whether a valuation allowance is warranted, the Company takes into account such factors as prior earnings history, expected future earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect the utilization of a deferred tax asset, statutory carry-back and carry-forward periods and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. Valuation allowances maintained by the Company relate mostly to deferred tax assets arising from the Company's currently anticipated inability to use net operating losses and tax credits in certain foreign countries. As of June 30, 2021 and June 30, 2020, valuation allowances related to the realization of deferred tax assets were approximately $42 and $38, respectively.

In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet certain recognition thresholds or measurement standards. Amounts for uncertain tax positions are adjusted in quarters when new information becomes available or when positions are effectively settled. As of June 30, 2021 and June 30, 2020, the liabilities recorded for uncertain tax positions, excluding associated interest and penalties, were approximately $21 and $22, respectively. Since audit outcomes and the timing of audit settlements are subject to significant uncertainty, liabilities for uncertain tax positions are excluded from the contractual obligations table (See Notes to Consolidated Financial Statements).

Foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. The Company has no indefinitely reinvested foreign earnings and is therefore providing foreign withholding taxes on the undistributed earnings of all foreign subsidiaries where applicable.

Venture Agreement Terminal Obligation

The Company has a Venture Agreement with Procter & Gamble (P&G) for the Company's Glad bags and wraps business. In connection with this agreement, P&G provides R&D support to the Glad business. As of June 30, 2021 and June 30, 2020, P&G had a 20% interest in the venture. In December 2017, the Company and P&G extended the term of the agreement and the related R&D support provided by P&G. The term will expire in January 2026, unless the parties agree, on or prior to January 31, 2025, to further extend the term of the agreement for another seven years or agree to take some other relevant action. Upon termination of the agreement, the Company is required to purchase P&G's 20% interest for cash at fair value as established by predetermined valuation procedures. The Company's obligation to purchase P&G's interest is reflected in Other liabilities (See Notes to Consolidated Financial Statements). The difference between the estimated fair value and the amount recognized, and any future changes in the fair value of P&G's interest, is charged to Cost of products sold in accordance with the effective interest method over the remaining life of the agreement.

The estimated fair value of P&G's interest may increase or decrease up until any such purchase by the Company of P&G's interest. The Company uses the DCF method under the income approach to estimate the fair value of P&G's interest. Under this approach, the Company estimates the future cash flows and discounts these cash flows at a rate of return that reflects its risk. The cash flows used are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced and the long-term business strategy. The other key assumptions and estimates used include, but are not limited to, net sales and expense growth rates, commodity prices, foreign exchange rates, discount rates, inflation and terminal growth rates. Changes in the judgments, assumptions and estimates used could result in significantly different estimates of fair value. For perspective, if the discount rate as of June 30, 2021 were to increase or decrease by 100 basis points, the estimated fair value of P&G's interest would decrease by approximately $71 or increase by approximately $94, respectively. Such changes would affect the amount of future charges to Cost of products sold.

Business Combinations

The Company uses the acquisition method of accounting for acquired businesses. Under the acquisition method, once control is obtained, assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests, are recorded at their respective fair values on the acquisition date. The determination of fair value requires management to make judgments and may involve the use of significant estimates, including but not limited to: estimated future cash flows, net sales and expense growth rates, terminal growth rates, discount and premium rates, royalty rates, and income tax rates. The excess of the total of the purchase consideration, fair value of the noncontrolling interest, and fair value of the previously held equity interest over the identifiable assets acquired and liabilities assumed is recorded as goodwill. If the actual results differ from the estimates and judgments used in these estimates, the assets recorded in the consolidated financial statements, such as intangible assets and goodwill, may be exposed to potential impairments in future periods.

During the first quarter of fiscal year 2021, the Company increased its investment in each of the two entities comprising its joint venture in the Kingdom of Saudi Arabia (Saudi joint venture). The Company had previously accounted for its 30 percent investment under the equity method of accounting. Subsequent to the closing of this transaction, the Company's total ownership interest in each of the entities increased to 51 percent, and the Company obtained control. The acquisition of the additional equity interest was considered a step acquisition, whereby the Company remeasured the previously held equity method investment to its fair value, resulting in the recognition of a significant non-recurring, non-cash gain.

The fair values of the Saudi joint venture, the 49% noncontrolling interest, and previously held 30% equity interest were determined using the DCF method under the income approach. Under this approach, the Company estimated future cash flows and discounted these cash flows at a rate of return that reflected the entities' relative risk. Additionally, valuation multiples derived from comparable publicly traded companies were used to corroborate that the estimated fair value for the Saudi joint venture as a whole under the DCF approach was reasonable. The fair value of reacquired rights was estimated using the multi-period excess earnings method under the income approach, which was based on the present value of the incremental after-tax cash flows, or excess earnings, attributable only to the reacquired rights over the remaining contractual life. See Notes to Consolidated Financial Statements for more information.

SUMMARY OF NON-GAAP FINANCIAL MEASURES

The non-GAAP financial measures that may be included in this MD&A and Exhibit 99.2 and the reasons management believes they are useful to investors are described below. These measures should be considered supplemental in nature and are not intended to be a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, these measures may not be the same as similarly named measures presented by other companies.

Free cash flow is calculated as net cash provided by operations less capital expenditures. The Company's management uses this measure and *free cash flow as a percentage of net sales* to help assess the cash generation ability of the business and funds available for investing activities, such as acquisitions, investing in the business to drive growth, and financing activities, including debt payments, dividend payments and stock repurchases. Free cash flow does not represent cash available only for discretionary expenditures, since the Company has mandatory debt service requirements and other contractual and non-discretionary expenditures. Refer to “Free cash flow” and “Free cash flow as a percentage of net sales” above for a reconciliation of these non-GAAP measures.

The Company uses the term *Consolidated EBITDA* because it is a term used in its revolving Credit Agreement. As defined in the Credit Agreement, Consolidated EBITDA represents earnings before interest, taxes, depreciation and amortization, non-cash asset impairment charges and other non-cash, non-recurring gains or losses. *Interest Coverage ratio* is the ratio of Consolidated EBITDA to interest expense. The Company’s management believes disclosure of Consolidated EBITDA provides useful information to investors because it is used in the primary restrictive covenant in the Company’s Credit Agreement. For additional discussion of the Interest Coverage ratio and a reconciliation of Consolidated EBITDA, see “*Financial Position and Liquidity - Financing Activities - Credit Arrangements*” above.

EBIT represents earnings before income taxes, interest income and interest expense. *EBIT margin* is the ratio of EBIT to net sales. The Company’s management believes these measures provide useful additional information to investors to enhance their understanding about trends in the Company’s operations and are useful for period-over-period comparisons.

Economic profit (EP) is defined by the Company as earnings before income taxes, excluding non-cash U.S. GAAP items (such as restructuring and intangible asset impairment charges, non-cash gains or losses), and interest expense; less income taxes (calculated based on the Company’s effective tax rate excluding the identified U.S. GAAP items), and less after tax profit attributable to noncontrolling interests, and less a capital charge (calculated as average capital employed multiplied by a cost of capital rate). EP is a key financial metric that the Company’s management uses to evaluate business performance and allocate resources, and is a component in determining employee incentive compensation. The Company’s management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit. Refer to Exhibit 99.2 for a reconciliation of EP to earnings before income taxes.

Organic sales growth / (decrease) is defined as net sales growth excluding the effect of foreign exchange rate changes and any acquisitions and divestitures. Management believes that the presentation of organic sales growth / (decrease) is useful to investors because it excludes sales from any acquisitions and divestitures, which results in a comparison of sales only from the businesses that the Company was operating and expects to continue to operate throughout the relevant periods, and the Company’s estimate of the impact of foreign exchange rate changes, which are difficult to predict, and out of the control of the Company and management.

The following table provides a reconciliation of organic sales growth / (decrease) (non-GAAP) to net sales growth / (decrease) (GAAP), the most comparable GAAP measure:

	Twelve Months Ended June 30, 2021 Percentage change versus the year-ago period				
	Health and Wellness	**Household**	**Lifestyle**	**International**	**Total**
Net sales growth / (decrease) (GAAP)	8 %	10 %	6 %	14 %	9 %
Add: Foreign Exchange	—	—	—	3	1
Add/(Subtract): Divestitures/Acquisitions	—	—	—	(8)	(1)
Organic sales growth / (decrease) (non-GAAP)	8 %	10 %	6 %	9 %	9 %

CAUTIONARY STATEMENT

This Annual Report on Form 10-K (this Report), including the exhibits hereto and the information incorporated by reference herein, contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, among others, statements related to the expected or potential impact of the novel coronavirus (COVID-19) pandemic, and the related responses of governments, consumers, customers, suppliers, employees and the Company, on our business, operations, employees, financial condition and results of operations, and any such forward-looking statements, whether concerning the COVID-19 pandemic or otherwise, involve risks, assumptions and uncertainties. Except for historical information, statements about future volumes, sales, organic sales growth, foreign currencies, costs, cost savings, margins, earnings, earnings per share, diluted earnings per share, foreign currency exchange rates, tax rates, cash flows, plans, objectives, expectations, growth or profitability are forward-looking statements based on management’s estimates, beliefs, assumptions and projections. Words such as “could,” “may,” “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will,” “predicts,” and variations on such words, and similar expressions that reflect our current views with respect to future events and operational, economic and financial performance are intended to identify such forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed. Important factors that could affect performance and cause results to differ materially from management’s expectations are described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Report, as updated from time to time in the Company’s Securities and Exchange Commission filings. These factors include, but are not limited to:

- intense competition in the Company’s markets;
- the impact of the changing retail environment, including the growth of alternative retail channels and business models, and changing consumer preferences;
- the impact of COVID-19 on the availability of, and efficiency of the supply, manufacturing and distribution systems for, the Company’s products, including any significant disruption to such systems; on the demand for the Company’s products; and on worldwide, regional and local adverse economic conditions, including increased risk of inflation;
- volatility and increases in the costs of raw materials, energy, transportation, labor and other necessary supplies or services
- risks related to supply chain issues and product shortages as a result of increased supply chain dependencies due to an expanded supplier network and a reliance on certain single-source suppliers,
- risks relating to the significant increase in demand for disinfecting and other products due to the COVID-19 pandemic continuing;
- dependence on key customers and risks related to customer consolidation and ordering patterns;
- risks related to the Company’s use of and reliance on information technology systems, including potential security breaches, cyber-attacks, privacy breaches or data breaches that result in the unauthorized disclosure of consumer, customer, employee or Company information, or service interruptions, especially at a time when a large number of the Company’s employees are working remotely and accessing its technology infrastructure remotely;
- the ability of the Company to drive sales growth, increase prices and market share, grow its product categories and manage favorable product and geographic mix;
- risks relating to acquisitions, new ventures and divestitures, and associated costs, including for asset impairment charges related to, among others, intangible assets, including trademarks and goodwill, in particular the impairment charges relating to the carrying value of the Company’s Vitamins, Minerals and Supplements business; and the ability to complete announced transactions and, if completed, integration costs and potential contingent liabilities related to those transactions;
- the Company’s ability to maintain its business reputation and the reputation of its brands and products;
- lower revenue, increased costs or reputational harm resulting from government actions and compliance with regulations, or any material costs imposed by changes in regulation;
- the ability of the Company to successfully manage global political, legal, tax and regulatory risks, including changes in regulatory or administrative activity;

- the operations of the Company and its suppliers being subject to disruption by events beyond the Company's control, including work stoppages, cyber-attacks, weather events or natural disasters, political instability or uncertainty, disease outbreaks or pandemics, such as COVID-19, and terrorism;
- risks related to international operations and international trade, including foreign currency fluctuations, such as devaluations, and foreign currency exchange rate controls; changes in governmental policies, including trade, travel or immigration restrictions, new or additional tariffs, and price or other controls; labor claims and civil unrest; inflationary pressures, particularly in Argentina; impact of the United Kingdom's exit from the European Union; potential negative impact and liabilities from the use, storage and transportation of chlorine in certain international markets where chlorine is used in the production of bleach; widespread health emergencies, such as COVID-19; and the possibility of nationalization, expropriation of assets or other government action;
- the ability of the Company to innovate and to develop and introduce commercially successful products, or expand into adjacent categories and countries;
- the impact of product liability claims, labor claims and other legal, governmental or tax proceedings, including in foreign jurisdictions and in connection with any product recalls;
- the ability of the Company to implement and generate cost savings and efficiencies, and successfully implement its business strategies;
- the accuracy of the Company's estimates and assumptions on which its financial projections, including any sales or earnings guidance or outlook it may provide from time to time, are based;
- risks related to additional increases in the estimated fair value of P&G's interest in the Glad business;
- the performance of strategic alliances and other business relationships;
- the Company's ability to attract and retain key personnel;
- the impact of Environmental, Social, and Governance (ESG) issues, including those related to climate change and sustainability on our sales, operating costs or reputation;
- environmental matters, including costs associated with the remediation and monitoring of past contamination, and possible increases in costs resulting from actions by relevant regulators, and the handling and/or transportation of hazardous substances;
- the Company's ability to effectively utilize, assert and defend its intellectual property rights, and any infringement or claimed infringement by the Company of third-party intellectual property rights;
- the effect of the Company's indebtedness and credit rating on its business operations and financial results and the Company's ability to access capital markets and other funding sources;
- the Company's ability to pay and declare dividends or repurchase its stock in the future;
- the impacts of potential stockholder activism; and
- risks related to any litigation associated with the exclusive forum provision in the Company's bylaws.

The Company's forward-looking statements in this Report are based on management's current views, beliefs, assumptions and expectations regarding future events and speak only as of the date of this Report. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws. In this Report, unless the context requires otherwise, the terms "the Company," "Clorox," "we," "us," and "our" refer to The Clorox Company and its subsidiaries.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* published in 2013. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2021, and concluded that it is effective.

The Company's independent registered public accounting firm, Ernst & Young LLP, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2021, as stated in their report, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of The Clorox Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Clorox Company (the Company) as of June 30, 2021 and 2020, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 10, 2021 expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases, effective July 1, 2019, using the modified retrospective approach upon adoption of Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842).

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Goodwill and Trademarks with Indefinite Lives

Description of the Matter	At June 30, 2021, the Company's goodwill was $1.6 billion and represented 25% of total assets; trademarks with indefinite lives was $670 million and represented 11% of total assets. As discussed in Note 1 of the consolidated financial statements, goodwill and trademarks with indefinite lives are tested by the Company's management for impairment at least annually, in the fiscal fourth quarter, unless there are indications of impairment at other points throughout the year. Goodwill is tested for impairment at the reporting unit level. During the fiscal third quarter of 2021, management performed a strategic review of the Vitamins, Minerals and Supplements (VMS) strategic business unit in response to lower-than-expected growth and performance, resulting in updated financial and operational plans. Accordingly, the Company performed an interim impairment assessment on the VMS reporting unit, indefinite-lived trademarks and other assets. As described in Note 5, the Company recorded impairment charges on goodwill and indefinite-lived trademarks of $228 million and $86 million, respectively. Auditing the Company's annual and interim impairment tests for goodwill and trademarks with indefinite lives is complex and highly judgmental and required the involvement of a valuation specialist due to the significant judgment in estimating the fair value of reporting units and trademarks with indefinite lives. In particular, the fair value estimates of reporting units with fair values that do not significantly exceed or that fall below their carrying values are sensitive to assumptions such as net sales growth rates, gross margins and discount rates. Trademarks with indefinite lives with fair values that do not significantly exceed or that fall below their carrying values are sensitive to assumptions such as net sales growth rates, discount rates and royalty rates. All of these assumptions are sensitive to and affected by expected future market or economic conditions, particularly those in emerging markets, and industry and company-specific qualitative factors.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill and trademarks impairment review process. This included evaluating controls over the Company's budgetary and forecasting process used to develop the estimated future earnings and cash flows used in estimating the fair value of reporting units and trademarks with indefinite lives. We also tested controls over management's review of the data used in their valuation models and review of the significant assumptions such as estimation of net sales, expense growth rates and terminal growth rates. To test the estimated fair value of the Company's reporting units and trademarks with indefinite lives (with fair values that do not significantly exceed or that fall below carrying values), we performed audit procedures that included, among others, assessing the methodologies, testing the significant assumptions discussed above used to develop the estimates of future earnings and cash flows and testing the completeness and accuracy of the underlying data. We compared the significant assumptions used by management to current industry and economic trends, the Company's historical results and other guideline companies within the same industry, and we evaluated whether changes in the Company's business would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the change in the fair value of the reporting units and trademarks with indefinite lives resulting from changes in these assumptions. We involved our valuation specialists to assist in reviewing the valuation methodology and testing the terminal growth rates, discount rates and royalty rates. In addition, for goodwill we also tested the Company's calculation of implied multiples of the reporting units, compared them to guideline companies and evaluated the resulting premium. For trademarks with indefinite lives, where applicable, we also assessed whether the assumptions used were consistent with those used in the goodwill impairment review process.

Valuation of Venture Agreement Terminal Obligation

Description of the Matter

As discussed in Note 8 of the consolidated financial statements, the Company has an agreement with The Proctor & Gamble Company (P&G) for the Company's Glad bags and wraps business, for which the Company is required to purchase P&G's 20% interest in the venture for cash at fair value of the global Glad business upon termination of the agreement. At June 30, 2021, the fair value of $432 million has been recognized as a venture agreement terminal obligation and represented 8% of total liabilities.

Auditing the Company's Glad venture agreement terminal obligation is complex and highly judgmental and required the involvement of a valuation specialist due to the significant judgment in estimating the fair value of the global Glad business. In particular, the fair value estimate is sensitive to assumptions such as net sales growth rates, gross margins, discount rate and commodity prices. These assumptions are sensitive to and affected by expected future market or economic conditions, particularly those in emerging markets, and industry and company-specific qualitative factors.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the venture agreement terminal obligation valuation review process. This included controls over the Company's budgetary and forecasting process used to develop the estimated fair value of the global Glad business. We also tested management's controls over the data used in their valuation models and review of the significant assumptions such as estimation of net sales, expense growth rates, terminal growth rates and commodity prices.

To test the estimated fair value of the venture agreement terminal obligation, we performed audit procedures that included, among others, assessing the methodologies, testing the significant assumptions discussed above used to develop estimates of future earnings and cash flows, and testing the completeness and accuracy of the underlying data. We compared the significant assumptions used by management to current industry and economic trends, the Company's historical results and other guideline companies within the same industry, and we evaluated whether changes in the Company's business, including shifts in consumer demands and commodity prices, would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the change in the fair value of the venture agreement terminal obligation resulting from changes in these assumptions. We involved our valuation specialists to assist in reviewing the valuation methodology and testing the terminal growth rates and discount rates.

Business Combination of Saudi Joint Venture

Description of the Matter

On July 9, 2020, the Company increased its investment in each of the two entities comprising its joint venture in the Kingdom of Saudi Arabia (Saudi joint venture) for a total purchase consideration of $111 million. The Company had previously accounted for its 30 percent investment under the equity method of accounting. Subsequent to the closing of this transaction, the Company's total ownership interest in each of the entities increased to 51 percent. As discussed in Note 2 of the consolidated financial statements, the Company has consolidated this joint venture into the Company's consolidated financial statements from the date of acquisition and accounted for the transaction as a business combination whereby the total purchase price was allocated to assets acquired and liabilities assumed based on their respective fair values. The acquisition resulted in remeasurement of the Company's previously held equity interest to its acquisition-date fair value of $103 million, resulting in a gain of $85 million, recognition of noncontrolling interests of $198 million, and a $138 million reacquired rights intangible asset being recorded.

Auditing the Company's accounting for its acquisition of the Saudi joint venture is complex and highly judgmental and required the involvement of a valuation specialist due to the significant judgment in estimating the fair value of the Company's previously held equity interest, the noncontrolling interests and identified intangible assets, consisting principally of reacquired license rights. In particular, the fair value estimates are sensitive to assumptions such as revenue growth rates and discount and premium rate assumptions. These assumptions relate to the future performance of the acquired business, are forward-looking and could be affected by future economic and market conditions and industry and company-specific qualitative factors.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the fair value review process. This included evaluating controls over the Company's budgetary and forecasting process used to develop the estimated future earnings and cash flows used in estimating the fair value of the previously held equity interest, the noncontrolling interests and identifiable intangible assets. We also tested controls over management's review of the data used in their valuation models and review of the significant assumptions such as estimation of net sales, expense growth rates, and terminal growth rates. To test the estimated fair value of the previously held interest, the noncontrolling interests and identified intangible assets, we performed audit procedures that included, among others, assessing the methodologies, testing the significant assumptions discussed above used to develop the estimates of future earnings and cash flows and testing the completeness and accuracy of the underlying data. We compared the significant assumptions used by management to current industry and economic trends, the Company's historical results and other guideline companies within the same industry, and evaluated whether changes in the Company's business would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the change in the fair value of the previously held interest, the noncontrolling interests and identified intangible assets resulting from changes in these assumptions. We involved our valuation specialist to assist in reviewing the valuation methodologies and testing the discount and premium rate assumptions.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2003.

San Francisco, CA
August 10, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of The Clorox Company

Opinion on Internal Control Over Financial Reporting

We have audited The Clorox Company's internal control over financial reporting as of June 30, 2021, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, The Clorox Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of The Clorox Company as of June 30, 2021 and 2020, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2021, and the related notes (collectively referred to as the "consolidated financial statements") and our report dated August 10, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Francisco, CA
August 10, 2021

CONSOLIDATED STATEMENTS OF EARNINGS
The Clorox Company

Years ended June 30

Dollars in millions, except per share data	**2021**	**2020**	**2019**
Net sales	$ 7,341	$ 6,721	$ 6,214
Cost of products sold	4,142	3,658	3,486
Gross profit	3,199	3,063	2,728
Selling and administrative expenses	1,004	969	856
Advertising costs	790	675	612
Research and development costs	149	145	136
Goodwill, trademark and other asset impairments	329	—	—
Interest expense	99	99	97
Other (income) expense, net	(72)	(10)	3
Earnings before income taxes	900	1,185	1,024
Income taxes	181	246	204
Net earnings	719	939	820
Less: Net earnings attributable to noncontrolling interests	9	—	—
Net earnings attributable to Clorox	$ 710	$ 939	$ 820
Net earnings per share attributable to Clorox			
Basic net earnings per share	$ 5.66	$ 7.46	$ 6.42
Diluted net earnings per share	$ 5.58	$ 7.36	$ 6.32
Weighted average shares outstanding (in thousands)			
Basic	125,570	125,828	127,734
Diluted	127,299	127,671	129,792

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Clorox Company

Years ended June 30

Dollars in millions	**2021**	**2020**	**2019**
Net earnings	$ 719	$ 939	$ 820
Other comprehensive (loss) income:			
Foreign currency adjustments, net of tax	47	(36)	(22)
Net unrealized gains (losses) on derivatives, net of tax	39	5	2
Pension and postretirement benefit adjustments, net of tax	8	(7)	4
Total other comprehensive (loss) income, net of tax	94	(38)	(16)
Comprehensive income	813	901	804
Less: Total comprehensive income attributable to noncontrolling interests	9	—	—
Total comprehensive income attributable to Clorox	$ 804	$ 901	$ 804

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS
The Clorox Company

As of June 30

Dollars in millions, except per share data	**2021**	**2020**
ASSETS		
Current assets		
Cash and cash equivalents	$ 319	$ 871
Receivables, net	604	648
Inventories, net	752	454
Prepaid expenses and other current assets	154	47
Total current assets	1,829	2,020
Property, plant and equipment, net	1,302	1,103
Operating lease right-of-use assets	332	291
Goodwill	1,575	1,577
Trademarks, net	693	785
Other intangible assets, net	225	109
Other assets	378	328
Total assets	$ 6,334	$ 6,213
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 300	$ —
Current operating lease liabilities	81	64
Accounts payable and accrued liabilities	1,675	1,329
Income taxes payable	—	25
Total current liabilities	2,056	1,418
Long-term debt	2,484	2,780
Long-term operating lease liabilities	301	278
Other liabilities	834	767
Deferred income taxes	67	62
Total liabilities	5,742	5,305
Commitments and contingencies		
Stockholders' equity		
Preferred stock: $1.00 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock: $1.00 par value; 750,000,000 shares authorized; 130,741,461 and 158,741,461 shares issued as of June 30, 2021 and 2020, respectively; and 122,780,220 and 126,198,606 shares outstanding as of June 30, 2021 and 2020, respectively	131	159
Additional paid-in capital	1,186	1,137
Retained earnings	1,036	3,567
Treasury stock, at cost: 7,961,241 and 32,542,855 shares as of June 30, 2021 and 2020, respectively	(1,396)	(3,315)
Accumulated other comprehensive net (loss) income	(546)	(640)
Total Clorox stockholders' equity	411	908
Noncontrolling interests	181	—
Total stockholders' equity	592	908
Total liabilities and stockholders' equity	$ 6,334	$ 6,213

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

The Clorox Company

(Dollars in millions except per share data; shares in thousands)	Common Stock Amount	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Treasury Stock Amount	Treasury Stock Shares	Accumulated Other Comprehensive Net (Loss) Income	Non-controlling interests	Total Stockholders' Equity
Balance as of June 30, 2018	$ 159	158,741	$ 975	$ 2,797	$ (2,658)	(30,759)	$ (547)	$ —	$ 726
Cumulative effect of accounting changes [1]	—	—	—	36	—	—	(39)	—	(3)
Net earnings	—	—	—	820	—	—	—	—	820
Other comprehensive (loss) income	—	—	—	—	—	—	(16)	—	(16)
Dividends to Clorox stockholders ($3.94 per share declared)	—	—	—	(503)	—	—	—	—	(503)
Stock-based compensation	—	—	43	—	—	—	—	—	43
Other employee stock plan activities	—	—	28	—	124	2,178	—	—	152
Treasury stock purchased	—	—	—	—	(660)	(4,474)	—	—	(660)
Balance as of June 30, 2019	159	158,741	1,046	3,150	(3,194)	(33,055)	(602)	—	559
Cumulative effect of accounting changes [2]	—	—	—	22	—	—	—	—	22
Net earnings	—	—	—	939	—	—	—	—	939
Other comprehensive (loss) income	—	—	—	—	—	—	(38)	—	(38)
Dividends to Clorox stockholders ($4.29 per share declared)	—	—	—	(544)	—	—	—	—	(544)
Stock-based compensation	—	—	50	—	—	—	—	—	50
Other employee stock plan activities	—	—	41	—	121	2,043	—	—	162
Treasury stock purchased	—	—	—	—	(242)	(1,531)	—	—	(242)
Balance as of June 30, 2020	159	158,741	1,137	3,567	(3,315)	(32,543)	(640)	—	908
Net earnings	—	—	—	710	—	—	—	9	719
Other comprehensive (loss) income	—	—	—	—	—	—	94	—	94
Dividends to Clorox stockholders ($4.49 per share declared)	—	—	—	(564)	—	—	—	—	(564)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	(26)	(26)
Business combinations including purchase accounting adjustments	—	—	—	—	—	—	—	198	198
Stock-based compensation	—	—	50	—	—	—	—	—	50
Other employee stock plan activities	—	—	(1)	(37)	156	1,340	—	—	118
Treasury stock purchased	—	—	—	—	(905)	(4,758)	—	—	(905)
Treasury stock retirement	(28)	(28,000)	—	(2,640)	2,668	28,000	—	—	—
Balance as of June 30, 2021	$ 131	130,741	$ 1,186	$ 1,036	$ (1,396)	(7,961)	$ (546)	$ 181	$ 592

[1] As a result of adopting ASU No. 2014-09, "Revenue from Contracts with Customers (ASC 606)," on July 1, 2018, the Company recorded a cumulative effect of initially applying the new guidance as an adjustment to the fiscal year 2019 opening balance of Retained earnings.
[2] As a result of adopting ASU No. 2016-02, "Leases (ASC 842)," on July 1, 2019, the Company recorded a cumulative effect of initially applying the new guidance as an adjustment to the fiscal year 2020 opening balance of Retained earnings.

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Clorox Company

Years ended June 30 Dollars in millions	2021	2020	2019
Operating activities:			
Net earnings	$ 719	$ 939	$ 820
Adjustments to reconcile net earnings to net cash provided by operations:			
Depreciation and amortization	211	180	180
Stock-based compensation	50	50	43
Deferred income taxes	(32)	(2)	(20)
Goodwill, trademark and other asset impairments	329	—	—
Other	10	30	(29)
Changes in:			
Receivables, net	82	(27)	(32)
Inventories, net	(282)	50	(7)
Prepaid expenses and other current assets	(30)	2	(6)
Accounts payable and accrued liabilities	311	291	17
Operating lease right-of-use assets and liabilities, net	(2)	19	—
Income taxes payable/prepaid	(90)	14	26
Net cash provided by operations	1,276	1,546	992
Investing activities:			
Capital expenditures	(331)	(254)	(206)
Businesses acquired, net of cash acquired	(85)	—	—
Other	(36)	2	10
Net cash used for investing activities	(452)	(252)	(196)
Financing activities:			
Notes and loans payable, net	—	(396)	189
Long-term debt borrowings, net of issuance costs paid	—	492	—
Treasury stock purchased	(905)	(248)	(661)
Cash dividends paid to Clorox stockholders	(558)	(533)	(490)
Cash dividends paid to noncontrolling interests	(31)	—	—
Issuance of common stock for employee stock plans and other	103	162	147
Net cash used for financing activities	(1,391)	(523)	(815)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	12	(5)	(2)
Net increase (decrease) in cash, cash equivalents and restricted cash	(555)	766	(21)
Cash, cash equivalents and restricted cash:			
Beginning of year	879	113	134
End of year	$ 324	$ 879	$ 113
Supplemental cash flow information:			
Interest paid	$ 89	$ 89	$ 87
Income taxes paid, net of refunds	303	241	207
Non-cash financing activities:			
Cash dividends declared and accrued, but not paid	156	140	133

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
The Clorox Company
(Dollars in millions, except per share data)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

The Company is principally engaged in the production, marketing and sale of consumer products through mass retailers, grocery outlets, warehouse clubs, dollar stores, home hardware centers, drug, pet and military stores, third-party and owned e-commerce channels, and distributors. The consolidated financial statements include the statements of the Company and its wholly owned and controlled subsidiaries. All significant intercompany transactions and accounts were eliminated in consolidation.

Use of Estimates

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to reach opinions as to estimates and assumptions that affect reported amounts and related disclosures. Specific areas requiring the application of management's estimates and judgments include, among others, assumptions pertaining to accruals for consumer and trade-promotion programs, stock-based compensation, retirement income plans, future cash flows associated with impairment testing of goodwill and other long-lived assets and the valuation of the venture agreement terminal obligation, the valuation of assets acquired and liabilities assumed in connection with a business combination, the credit worthiness of customers, uncertain tax positions, tax valuation allowances and legal, environmental and insurance matters. Actual results could materially differ from estimates and assumptions made.

Cash, Cash Equivalents and Restricted Cash

Cash equivalents consist of highly liquid interest-bearing accounts, time deposits held by financial institutions and money market funds with an initial maturity at purchase of 90 days or less. The fair value of cash and cash equivalents approximates the carrying amount.

The Company's cash position includes amounts held by foreign subsidiaries and, as a result, the repatriation of certain cash balances from some of the Company's foreign subsidiaries could result in additional withholding tax costs in certain foreign jurisdictions. However, these cash balances are generally available without legal restriction to fund local business operations. In addition, a portion of the Company's cash balance is held in U.S. dollars by foreign subsidiaries whose functional currency is their local currency. Such U.S. dollar balances are reported on the foreign subsidiaries' books in their functional currency, and the impact on such balances from foreign currency exchange rate differences is recorded in Other (income) expense, net.

As of June 30, 2021, 2020, 2019, and 2018, the Company had \$5, \$8, \$2 and \$3 of restricted cash, respectively, which was included in Prepaid expenses and other current assets and Other assets. The restricted cash as of June 30, 2021 was primarily related to funds held in an escrow account with limitations on usage and cash margin deposits held for exchange-traded futures contracts.

Inventories

The Company values its inventories using both the First-In, First-Out (FIFO) and the Last-In, First-Out (LIFO) methods. The FIFO inventory is stated at the lower of cost or net realizable value, which includes any costs to sell or dispose. In addition, appropriate consideration is given to obsolescence, excessive inventory levels, product deterioration and other factors in evaluating net realizable value. The LIFO inventory is stated at the lower of cost or market.

Property, Plant and Equipment and Finite-Lived Intangible Assets

Property, plant and equipment and finite-lived intangible assets are stated at cost. Depreciation and amortization expense are primarily calculated by the straight-line method using the estimated useful lives or lives determined by reference to the related lease contract in the case of leasehold improvements. The table below provides estimated useful lives of property, plant and equipment by asset classification.

	Estimated Useful Lives
Buildings and leasehold improvements	7 - 40 years
Land improvements	10 - 30 years
Machinery and equipment	3 - 15 years
Computer equipment	3 - 5 years
Capitalized software costs	3 - 7 years

Finite-lived intangible assets are amortized over their estimated useful lives, which range from 1 to 30 years.

Property, plant and equipment and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances occur that indicate that the carrying amount of an asset (or asset group) may not be fully recoverable. The risk of impairment is initially assessed based on an estimate of the undiscounted cash flows at the lowest level for which identifiable cash flows exist. Impairment occurs when the carrying value of the asset (or asset group) exceeds the estimated future undiscounted cash flows generated by the asset (or asset group). When impairment is indicated, an impairment charge is recorded for the difference between the carrying value of the asset (or asset group) and its estimated fair market value. Depending on the asset, estimated fair market value may be determined either by use of a discounted cash flow model or by reference to estimated selling values of assets in similar condition.

Capitalization of Software Costs

The Company capitalizes certain qualifying costs incurred in the acquisition and development of software for internal use, including the costs of the software, materials, consultants, interest and payroll and payroll-related costs for employees during the application development stage. Internal and external costs incurred during the preliminary project stage and post implementation-operation stage, mainly training and maintenance costs, are expensed as incurred. Once the application is substantially complete and ready for its intended use, qualifying costs are amortized on a straight-line basis over the software's estimated useful life. Capitalized internal use software is included in Property, plant and equipment. Capitalized software as a service is included in Prepaid expenses and other current assets or Other assets and is amortized using the straight-line method over the term of the hosting arrangement which is typically no greater than 6 years.

Business Combinations

The Company records acquired businesses within the consolidated financial statements using the acquisition method prospectively from the acquisition date. Under the acquisition method, once control is obtained, assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests, are recorded at their respective fair values on the acquisition date. The Company's estimates of fair value are inherently uncertain and subject to refinement. The excess of the total of the purchase consideration, fair value of the noncontrolling interest, and fair value of the previously held equity interest over the identifiable assets acquired and liabilities assumed is recorded as goodwill. Measurement period adjustments to the fair values of the identifiable assets acquired and liabilities assumed with the corresponding offset to goodwill, if applicable, are applied in the reporting period in which the adjustment amounts are determined based on new information obtained during the measurement period. In the event of a step acquisition, the Company records a gain or loss in Other income (expense), net on the consolidated statement of earnings as a result of remeasuring a previously held equity interest to fair value on the acquisition date. Transaction expenses are recognized separately from the business combination and are expensed as incurred.

Impairment Review of Goodwill and Indefinite-Lived Intangible Assets

The Company tests its goodwill, trademarks with indefinite lives and other indefinite-lived intangible assets annually for impairment in the fiscal fourth quarter unless there are indications during a different interim period that these assets may have become impaired.

With respect to goodwill, the Company has the option to first assess qualitative factors, such as the maturity and stability of the reporting unit, the magnitude of the excess fair value over carrying value from a previous period's impairment testing, other reporting unit specific operating results, micro and macroeconomic factors as well as new events and circumstances impacting the operations at the reporting unit level. Reporting units for goodwill impairment testing purposes were its individual strategic business units (SBUs). If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. In the quantitative test, the Company compares the estimated fair value of the reporting unit to its carrying value. If the estimated fair value of any reporting unit is less than its carrying value, an impairment charge is recorded for the difference between the carrying value and the fair value of the reporting unit.

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses the discounted cash flow (DCF) method under the income approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, which requires significant judgments, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF method are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF method include, but are not limited to, net sales and expense growth rates, commodity prices, foreign exchange rates, inflation and a terminal growth rate. Changes in such estimates or the application of alternative assumptions could produce different results.

For trademarks and other intangible assets with indefinite lives, the Company has the option to first assess qualitative factors, such as the maturity and stability of the trademark or other intangible asset, the magnitude of the excess fair value over carrying value from a previous period's impairment testing, other specific operating results, as well as new events and circumstances impacting the significant inputs used to determine the fair value of the intangible asset. If the result of a qualitative test indicates that it is more likely than not that the asset is impaired, a quantitative test is performed. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying value. If the carrying value of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying value and the estimated fair value. The Company uses the DCF method under the relief from royalty income approach to estimate the fair value of its trademarks and other intangible assets with indefinite lives. This approach requires significant judgments in determining the royalty rates and the assets' estimated cash flows, as well as the appropriate discount and foreign exchange rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

Leases

The Company determines whether an arrangement contains a lease at inception 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 and other facts and circumstances. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date and initial direct costs incurred by the Company and excludes any lease incentives received from the lessor. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. The lease term may include an option to extend or terminate the lease when it is reasonably certain that the Company will exercise that option as of the commencement date of the lease, and is reviewed in subsequent periods if a triggering event occurs. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date based on the lease term and the currency of the lease on a collateralized basis. Variable lease payments are the portion of lease payments that are not fixed over the lease term. Variable lease payments are expensed as incurred, and include certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease, as applicable. The Company elected to combine lease and non-lease components as a single lease component and to exclude short-term leases, defined as leases with an initial term of 12 months or less, from its consolidated balance sheet.

As of July 1, 2019, the Company adopted Accounting Standards Codification 842, Leases (ASC 842). As allowed under the standard, the Company elected to apply the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs.

Stock-based Compensation

The Company grants various nonqualified stock-based compensation awards to eligible employees, including stock options, restricted stock awards and performance shares.

For stock options, the Company estimates the fair value of each award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The Company estimates stock option forfeitures based on historical data for each employee grouping. The total number of stock options expected to vest is adjusted by actual and estimated forfeitures. Changes to the actual and estimated forfeitures will result in a cumulative adjustment in the period of change. Compensation expense is recorded by amortizing the grant date fair values on a straight-line basis over the vesting period, adjusted for estimated forfeitures.

For restricted stock awards, the fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. Forfeitures are estimated based on historical data. The total number of restricted stock awards expected to vest is adjusted by actual and estimated forfeitures. Changes to the actual and estimated forfeitures will result in a cumulative adjustment in the period of change. Compensation expense is recorded by amortizing the grant date fair values on a straight-line basis over the vesting period, adjusted for estimated forfeitures.

The Company's performance shares provide for the issuance of common stock to certain managerial staff and executive management if the Company achieves specified performance targets. The number of shares issued is dependent upon the achievement of specified performance targets. The performance period is three years and the payout determination is made at the end of the three-year performance period. Performance shares receive dividends earned during the vesting period upon vesting. The fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. The total amount of compensation expense recognized reflects estimated forfeiture rates and management's assessment of the probability that performance goals will be achieved. A cumulative adjustment is recognized to compensation expense in the current period to reflect any changes in the probability of achievement of performance goals.

Cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for stock-based payment arrangements (excess tax benefits) are classified as operating cash inflows.

Employee Benefits

The Company accounts for its retirement income and retirement health care plans using actuarial methods. These methods use an attribution approach that generally spreads "plan events" over the service lives or expected lifetime (for frozen plans) of plan participants. Examples of plan events are plan amendments and changes in actuarial assumptions such as the expected return on plan assets, discount rate, rate of compensation increase and certain employee-related factors, such as retirement age and mortality. The principle underlying the attribution approach is that employees render service over their employment period on a relatively "smooth" basis and, therefore, the statement of earnings effects of retirement income and retirement health care plans are recognized in the same pattern. One of the principal assumptions used in the net periodic benefit cost calculation is the expected return on plan assets. The expected return on plan assets may result in recognized expense or income that differs from the actual returns of those plan assets in any given year. Over time, however, the goal is for the expected long-term returns to approximate the actual returns and, therefore, the expectation is that the pattern of income and expense recognition should closely match the pattern of the services provided by the participants. The Company uses a market-related value method for calculating plan assets for purposes of determining the amortization of actuarial gains and losses. The differences between actual and expected returns are recognized in the net periodic benefit cost calculation over the average remaining service period or expected lifetime (for frozen plans) of the plan participants using the corridor approach. Under this approach, only actuarial gains (losses) that exceed 5% of the greater of the projected benefit obligation or the market-related value of assets are amortized to the Company's net periodic benefit cost. In developing its expected return on plan assets, the Company considers the long-term actual returns relative to the mix of investments that comprise its plan assets and also develops estimates of future investment returns by considering external sources.

The Company recognizes an actuarial-based obligation at the onset of disability for certain benefits provided to individuals after employment, but before retirement, that include medical, dental, vision, life and other benefits.

Environmental Costs

The Company is involved in certain environmental remediation and ongoing compliance activities. Accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and based upon a reasonable estimate of the liability. The Company's accruals reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given the inherent uncertainties in evaluating environmental exposures. The accrual for environmental matters is included in Accounts payable and accrued liabilities and Other liabilities in the Company's consolidated balance sheets on an undiscounted basis due to uncertainty regarding the timing of future payments.

Revenue Recognition

The Company's revenue is primarily generated from the sale of finished product to customers. Revenue is recognized at the point in time when performance obligations under the terms of customer contracts are satisfied, which is when ownership, risks and rewards transfer, and can be on the date of shipment or the date of receipt by the customer, depending upon the particular customer arrangement. Shipping and handling activities are accounted for as contract fulfillment costs and included within Cost of products sold. After the completion of the performance obligation, there is an unconditional right to consideration as outlined in the contract. A right is considered unconditional if nothing other than the passage of time is required before payment of that consideration is due. The Company typically collects its customer receivables within two months. All performance obligations under the terms of contracts with customers have an original duration of one year or less.

The Company has trade promotion programs, which primarily include shelf price reductions, in-store merchandising, and consumer coupons. The costs of such activities, defined as variable consideration under ASC 606, "Revenue from Contracts with Customers," are netted against sales and recorded when the related sales take place. Accruals for trade promotion programs are established based on the Company's best estimate of the amounts necessary to settle existing and future obligations for products sold as of the balance sheet date. Amounts accrued for trade-promotions are based on various factors such as contractual terms and sales volumes, and also incorporate estimates that include customer participation rates, the rate at which customers will achieve program performance criteria, product availability, and consumer redemption rates.

The Company provides an allowance for doubtful accounts based on its historical experience and ongoing assessment of its customers' credit risk and aging. Customer receivables are presented net of an allowance for doubtful accounts of $8 and $10 as of June 30, 2021 and 2020, respectively. Receivables, net, include non-customer receivables of $22 and $20 as of June 30, 2021 and 2020, respectively, and related allowance of $14 and $4 as of June 30, 2021 and 2020, respectively.

Cost of Products Sold

Cost of products sold represents the costs directly related to the manufacture and distribution of the Company's products and primarily includes raw materials, packaging, contract manufacturing fees, shipping and handling, warehousing, package design, depreciation, amortization, direct and indirect labor and operating costs for the Company's manufacturing and distribution facilities, including salary, benefit costs and incentive compensation, and royalties and other charges related to the Company's Glad Venture Agreement (See Note 8).

Costs associated with developing and designing new packaging, including design, artwork, films and labeling, are expensed as incurred and included within Cost of products sold.

Selling and Administrative Expenses

Selling and administrative expenses represent costs incurred by the Company in generating revenues and managing the business and include market research, commissions and certain administrative expenses. Administrative expenses include salary, benefits, incentive compensation, professional fees and services and other operating costs (such as software and licensing costs) associated with the Company's non-manufacturing, non-research and development operations.

Advertising and Research and Development Costs

The Company expenses advertising and research and development costs in the period incurred.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax basis. Management reviews the Company's deferred tax assets to determine whether their value can be realized based upon available evidence. A valuation allowance is established when management believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the Company's income tax provision in the period of change. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet certain recognition thresholds or measurement standards. Amounts for uncertain tax positions are adjusted in quarters when new information becomes available or when positions are effectively settled.

Per U.S. GAAP, foreign withholding taxes are provided on unremitted foreign earnings that are not indefinitely reinvested at the time the earnings are generated. The Company regularly reviews and assesses whether there are any changes to its indefinite reinvestment assertion and determined that none of the undistributed earnings of its foreign subsidiaries are indefinitely reinvested. As a result, the Company is providing foreign withholding taxes on the undistributed earnings of all foreign subsidiaries where applicable.

Foreign Currency Transactions and Translation

Local currencies are the functional currencies for substantially all of the Company's foreign operations. When the transactional currency is different than the functional currency, transaction gains and losses are included as a component of Other (income) expense, net. In addition, certain assets and liabilities denominated in currencies other than a foreign subsidiary's functional currency are reported on the subsidiary's books in its functional currency, with the impact from exchange rate differences recorded in Other (income) expense, net. Assets and liabilities of foreign operations are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, while income and expenses are translated at the respective average monthly exchange rates during the year.

Gains and losses on foreign currency translations are reported as a component of Other comprehensive (loss) income. The income tax effect of currency translation adjustments is recorded as a component of deferred taxes with an offset to Other comprehensive (loss) income where appropriate.

Effective July 1, 2018, under the requirements of U.S. GAAP, Argentina was designated as a highly inflationary economy, since it has experienced cumulative inflation of approximately 100 percent or more over a three-year period. As a result, beginning July 1, 2018, the U.S. dollar replaced the Argentine peso as the functional currency of the Company's subsidiaries in Argentina (collectively, "Clorox Argentina"). Consequently, gains and losses from non-U.S. dollar denominated monetary assets and liabilities for Clorox Argentina are recognized in Other (income) expense, net in the consolidated statement of earnings.

Derivative Instruments

The Company's use of derivative instruments, principally swaps, futures and forward contracts, is limited to non-trading purposes and is designed to partially manage exposure to changes in commodity prices, interest rates and foreign currencies. The Company's contracts are hedges for transactions with notional amounts and periods consistent with the related exposures and do not constitute investments independent of these exposures.

The changes in the fair value (i.e., gains or losses) of a derivative instrument are recorded as either assets or liabilities in the consolidated balance sheets with an offset to Net earnings or Other comprehensive (loss) income depending on whether, for accounting purposes, it has been designated and qualifies as an accounting hedge and, if so, on the type of hedging relationship. The criteria used to determine if hedge accounting treatment is appropriate are: (a) formal designation and documentation of the hedging relationship, the risk management objective and hedging strategy at hedge inception; (b) eligibility of hedged items, transactions and corresponding hedging instrument; and (c) effectiveness of the hedging relationship both at inception of the hedge and on an ongoing basis in achieving the hedging objectives. For those derivative instruments designated and qualifying as hedging instruments, the Company must designate the hedging instrument either as a fair value hedge or as a cash flow hedge. The Company designates its commodity forward and future contracts for forecasted purchases of raw materials, interest rate contracts for forecasted interest payments, and foreign currency forward contracts for forecasted purchases of inventory as cash flow hedges. During the fiscal years ended June 30, 2021, 2020 and 2019, the Company had no hedging instruments designated as fair value hedges.

For derivative instruments designated and qualifying as cash flow hedges, gains or losses is reported as a component of Other comprehensive (loss) income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. From time to time, the Company may have contracts not designated as hedges for accounting purposes, for which it recognizes changes in the fair value in the consolidated statement of earnings in the current period. Cash flows from hedging activities are classified as operating activities in the consolidated statements of cash flows.

Recently Issued Accounting Standards

Recently Issued Accounting Standards Not Yet Adopted

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-12, "Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes," which simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740 and clarifies and amends existing guidance to improve consistent application. The standard will be effective for the Company beginning in the first quarter of fiscal year 2022. The amendments that are related to changes in ownership of foreign equity method investments or foreign subsidiaries are to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The amendments that are related to franchise taxes that are partially based on income are to be applied on either a retrospective basis for all periods presented or a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. All other amendments under this ASU are to be applied on a prospective basis. The adoption of this new standard is not expected to have a significant impact on the Company's consolidated financial statements.

Recently Adopted Accounting Standards

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. The Company adopted this guidance as of July 1, 2020 on a prospective basis, and the adoption did not have a material impact on the Company’s consolidated financial statements at the time of adoption. The impairment identified in the third quarter of fiscal year 2021 was calculated in accordance with this guidance. See Note 5 for further information. The future impact of this new standard will depend on the specific facts and circumstances of future impairments that may occur.

NOTE 2. BUSINESS ACQUIRED

Saudi Joint Venture Acquisition

On July 9, 2020, the Company increased its investment in each of the two entities comprising its joint venture in the Kingdom of Saudi Arabia (Saudi joint venture). The joint venture offers customers in the Gulf region a range of cleaning and disinfecting products. The Company had previously accounted for its 30 percent investment of $27 as of June 30, 2020, under the equity method of accounting. Subsequent to the closing of this transaction, the Company’s total ownership interest in each of the entities increased to 51 percent. The Company has consolidated this joint venture into the Company’s consolidated financial statements from the date of acquisition and reflects operations within the International reportable segment. The equity and income attributable to the other joint venture owners is recorded and presented as noncontrolling interests.

The total purchase consideration of $111 consisted of $100 cash paid, which was sourced from operations, and $11 from the net effective settlement of preexisting arrangements between the Company and the joint venture. The assets and liabilities of the joint venture were recorded at their respective estimated fair value as of the acquisition date using generally accepted accounting principles for business combinations. The excess of the purchase price over the fair value of the net identifiable assets acquired has been allocated to goodwill in the International reportable segment in the amount of $208. The goodwill is primarily attributable to the synergies expected to arise after the acquisition and reflects the value of further growth anticipated in the Gulf region. None of the goodwill is deductible for tax purposes.

As a result of this transaction, the carrying value of the Company’s previously held equity investment was remeasured to fair value, and resulted in an $85 non-recurring, non-cash gain recorded in Other (income) expense, net in the consolidated statement of earnings and adjusted in Other operating activities in the consolidated statement of cash flows for the first quarter of fiscal year 2021. The fair values of the noncontrolling interests and previously held equity interest were determined using the DCF method under the income approach. Under this approach, the Company estimates future cash flows and discounts these cash flows at a rate of return that reflects the entities’ relative risk.

NOTE 2. BUSINESS ACQUIRED (Continued)

The purchase price allocation was finalized during the second quarter of fiscal year 2021. The following table summarizes the final purchase price allocation for the fair value of the joint venture's assets acquired and liabilities assumed and the related deferred income taxes as of the acquisition date. The fair value of the assets acquired and liabilities assumed reflects the final insignificant measurement period adjustments related to goodwill, deferred income taxes and income taxes payable. The finite-lived intangibles acquired primarily represent the Company reacquiring previously licensed trademarks and customer relationships. The weighted-average estimated useful life of intangible assets subject to amortization was 9 years.

	Joint Venture
Goodwill	$ 208
Reacquired rights (included in Other intangible assets, net)	138
Property, plant and equipment	46
Customer relationships (included in Other intangible assets, net)	10
Working capital, net (includes cash acquired of $26)	34
Noncurrent liabilities, net	(5)
Deferred income taxes	(19)
Total fair value of net assets	412
Less: Fair value of noncontrolling interests	(198)
Less: Fair value of previously held equity interest	(103)
Total purchase consideration	$ 111

Included in the Company's results for fiscal year 2021 was $84 of net sales from the joint venture. Pro forma results reflecting this transaction were not presented because it is not significant to the Company's consolidated financial results.

NOTE 3. INVENTORIES

Inventories consisted of the following as of June 30:

	2021	2020
Finished goods	$ 543	$ 340
Raw materials and packaging	229	140
Work in process	11	7
LIFO allowances	(31)	(33)
Total	$ 752	$ 454

The LIFO method was used to value approximately 34% and 31% of inventories as of June 30, 2021 and 2020, respectively. The carrying values for all other inventories are determined on the FIFO method. The effect on earnings of the liquidation of LIFO layers was insignificant for each of the fiscal years ended June 30, 2021, 2020 and 2019.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET

The components of property, plant and equipment, net, consisted of the following as of June 30:

	2021	2020
Machinery and equipment	$ 2,105	$ 1,921
Buildings	707	642
Capitalized software costs	368	368
Land and improvements	148	145
Construction in progress	249	153
Computer equipment	107	98
Total	3,684	3,327
Less: Accumulated depreciation and amortization	(2,382)	(2,224)
Property, plant and equipment, net	$ 1,302	$ 1,103

Depreciation and amortization expense related to property, plant and equipment, net, was $179, $166 and $165 in fiscal years 2021, 2020 and 2019, respectively, of which $6, $5 and $8 were related to amortization of capitalized software, respectively.

Non-cash capital expenditures were $13, $7 and $2 for fiscal years, 2021, 2020 and 2019, respectively. There were no significant asset retirement obligations recorded and included in Buildings above for both fiscal years 2021 and 2020.

NOTE 5. GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by reportable segment for the fiscal years ended June 30, 2021 and 2020 were as follows:

	Goodwill				
	Health and Wellness	Household	Lifestyle	International	Total
Balance as of June 30, 2019	$ 857	$ 85	$ 244	$ 405	$ 1,591
Acquisition	—	—	—	—	—
Effect of foreign currency translation	—	—	—	(14)	(14)
Balance as of June 30, 2020	$ 857	$ 85	$ 244	$ 391	$ 1,577
Acquisition	—	—	—	208	208
Goodwill impairment	(228)	—	—	—	(228)
Effect of foreign currency translation	—	—	—	18	18
Balance as of June 30, 2021	$ 629	$ 85	$ 244	$ 617	$ 1,575

The changes in the carrying amount of trademarks and other intangible assets for the fiscal years ended June 30 were as follows:

	As of June 30, 2021			As of June 30, 2020		
	Gross carrying amount	Accumulated amortization / Impairments	Net carrying amount	Gross carrying amount	Accumulated amortization / Impairments	Net carrying amount
Trademarks with indefinite lives (1)	$ 670	$ —	$ 670	$ 766	$ —	$ 766
Trademarks with finite lives (1)	60	37	23	47	28	19
Other intangible assets with finite lives	593	368	225	424	315	109
Total	$ 1,323	$ 405	$ 918	$ 1,237	$ 343	$ 894

(1) As of June 30, 2021 reflects changes of the useful lives of certain VMS indefinite-lived intangible assets to finite-lived effective April 1, 2021.

Amortization expense relating to the Company's intangible assets was $32, $14 and $15 for the years ended June 30, 2021, 2020 and 2019, respectively. Estimated amortization expense for these intangible assets is $31, $29, $28, $27 and $27 for fiscal years 2022, 2023, 2024, 2025 and 2026, respectively.

During fiscal year 2021, as a result of lower than expected actual and projected net sales growth and operating performance for the VMS SBU, a strategic review was initiated by management that resulted in updated financial and operational plans. These events were considered a triggering event requiring interim impairment assessments to be performed on the VMS reporting unit, indefinite-lived trademarks and other assets. Based on the outcome of these assessments, the following pre-tax impairment charges were recorded during fiscal year 2021 within Goodwill, trademark and other asset impairments:

	VMS Impairment Charge	
Goodwill	$	228
Trademarks, net		86
Other intangible assets, net		14
Property, plant and equipment, net		1
Total	$	329

The impairment charges are a result of a higher level of competitive activity than originally assumed, accelerated declines in the channel where the business is over-developed, and higher than anticipated investments to grow the business, which have adversely affected the assumptions used to determine the fair value of the respective assets held by the VMS reporting unit for growth and the estimates of expenses necessary to achieve that growth. These impairment charges are based on the Company's current estimates regarding the future financial performance of the VMS SBU and macroeconomic factors. In connection with recognizing these impairment charges, the Company recognized tax benefits related to the impairments of $62 due to the partial tax deductibility of these charges.

To determine the fair value of the VMS reporting unit, the Company used the DCF method under the income approach. Under this approach, the Company estimated the future cash flows of the VMS reporting unit and discounted these cash flows at a rate of return that reflects its relative risk. The other key estimates and factors used in the DCF method include, but are not limited to, net sales and expense growth rates, and a terminal growth rate.
To determine the estimated fair values of the VMS related indefinite-lived trademarks, which were included within the Health and Wellness reportable segment, the Company used the income approach. This approach requires significant judgments in determining the royalty rates and the assets' estimated cash flows as well as the appropriate discount rates applied to those cash flows to determine fair value. In addition, the useful lives of the impaired trademarks, with a remaining net carrying value of $13 as of March 31, 2021, were changed from indefinite to finite beginning on April 1, 2021, which reflects the remaining expected useful lives of the trademarks based on the most recent financial and operational plans. The weighted-average estimated useful life of these trademarks is 16 years.

Additionally during fiscal year 2021, an impairment charge of $14 was recorded within Cost of products sold related to other intangible assets with finite lives that were no longer expected to be recoverable due to a pending exit from a Professional Products SBU supplier relationship. The remaining carrying value of these assets was $0 following the impairment charge.

No significant impairments were identified as a result of the Company's impairment reviews during fiscal year 2020.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30:

	2021	2020
Accounts payable	$ 930	$ 575
Compensation and employee benefit costs	219	288
Trade and sales promotion costs	227	164
Dividends	162	146
Other	137	156
Total	$ 1,675	$ 1,329

NOTE 7. DEBT

Short-term borrowings

Notes and loans payable are borrowings that mature in less than one year, primarily consisting of U.S. commercial paper issued by the Company and borrowings under the Company's revolving credit agreements. Notes and loans payable were $0 and $0 as of June 30, 2021 and 2020, respectively.

The Company had no material outstanding notes and loans payable during the fiscal year ended June 30, 2021. The weighted average interest rates incurred on average outstanding notes and loans payable during the fiscal years ended June 30, 2020 and 2019, including fees associated with the Company's revolving credit agreements, were 2.49% and 2.98%, respectively.

Long-term borrowings

Long-term debt, carried at face value net of unamortized discounts, premiums and debt issuance costs, included the following as of June 30:

	2021	2020
Senior unsecured notes and debentures:		
3.80%, $300 due November 2021	$ 300	$ 299
3.05%, $600 due September 2022	599	599
3.50%, $500 due December 2024	498	498
3.10%, $400 due October 2027	398	397
3.90%, $500 due May 2028	497	496
1.80%, $500 due May 2030	492	491
Total	2,784	2,780
Less: Current maturities of long-term debt	300	—
Long-term debt	$ 2,484	$ 2,780

In May 2020, the Company issued $500 of senior notes with an annual fixed interest rate of 1.80% and a maturity date of May 15, 2030 and used the proceeds to repay borrowings under the revolving Credit Agreement and for general corporate purposes. Interest on the notes is payable semi-annually in May and November. The notes carry an effective interest rate of 1.96%, which includes the impact of amortizing debt issuance costs and the gain on the related interest rate forward contracts over the life of the notes (See Note 9). The notes rank equally with all of the Company's existing senior indebtedness.

The weighted average interest rates incurred on average outstanding long-term debt during the fiscal years ended June 30, 2021, 2020 and 2019, were 3.49%, 3.75% and 3.81%, respectively. The weighted average effective interest rates on long-term debt balances as of both June 30, 2021 and 2020 were 3.49% and 3.48%, respectively.

Long-term debt maturities as of June 30, 2021, were $300, $600, $0, $500, $0, and $1,400 in fiscal years 2022, 2023, 2024, 2025, 2026, and thereafter, respectively.

Credit arrangements

In November 2019, the Company entered into a $1,200 revolving credit agreement (the Credit Agreement) that matures in November 2024. The Credit Agreement replaced a prior $1,100 revolving credit agreement in place since February 2017. The Company did not incur any fees or penalties in connection with terminating the prior agreement, which was considered a debt modification. The Company was in compliance with all restrictive covenants and limitations in the Credit Agreement as of June 30, 2021, and anticipates being in compliance with all restrictive covenants for the foreseeable future. The Company continues to monitor the financial markets and assess its ability to fully draw on its Credit Agreement, and currently expects that it will continue to have access to borrowing under the Credit Agreement. As of the fiscal years ended June 30, 2021 and 2020, there were no borrowings due under the Credit Agreement.

The Company's borrowing capacity under the revolving credit agreements and other financing arrangements as of June 30 was as follows:

	2021	2020
Revolving credit facility	$ 1,200	$ 1,200
Foreign and other credit lines	35	38
Total	$ 1,235	$ 1,238

Of the $35 of foreign and other credit lines as of June 30, 2021, $5 was outstanding and the remainder of $30 was available for borrowing. Of the $38 of foreign and other credit lines as of June 30, 2020, $3 was outstanding and the remainder of $35 was available for borrowing.

NOTE 8. OTHER LIABILITIES

Other liabilities consisted of the following as of June 30:

	2021	2020
Venture Agreement terminal obligation, net	$ 432	$ 400
Employee benefit obligations	330	294
Taxes	23	23
Environmental liabilities	24	25
Other	25	25
Total	$ 834	$ 767

Venture Agreement

The Company has an agreement with The Procter & Gamble Company (P&G) for the Company's Glad bags and wraps business. In connection with this agreement, P&G provides research and development (R&D) support to the Glad business. As of June 30, 2021 and 2020, P&G had a 20% interest in the venture. The Company pays a royalty to P&G for its interest in the profits, losses and cash flows, as contractually defined, of the Glad business, which is included in Cost of products sold. In December 2017, the Company and P&G extended the term of the agreement and the related R&D support provided by P&G. The term will expire in January 2026, unless the parties agree, on or prior to January 31, 2025, to further extend the term of the agreement for another seven years or agree to take some other relevant action. The agreement can be terminated under certain circumstances, including at P&G's option upon a change in control of the Company or, at either party's option, upon the sale of the Glad business by the Company.

Upon termination of the agreement, the Company is required to purchase P&G's 20% interest for cash at fair value as established by predetermined valuation procedures. As of June 30, 2021, the estimated fair value of P&G's interest was $613, of which $432 has been recognized and is reflected in Other liabilities as noted in the table above. The difference between the estimated fair value and the amount recognized, and any future changes in the fair value of P&G's interest, is charged to Cost of products sold in accordance with the effective interest method over the remaining life of the agreement. Following termination, the Glad business will retain the exclusive core intellectual property licenses contributed by P&G on a royalty-free basis for the licensed products marketed.

NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial Risk Management and Derivative Instruments

The Company is exposed to certain commodity, foreign currency and interest rate risks related to its ongoing business operations and uses derivative instruments to mitigate its exposure to these risks.

Commodity Price Risk Management

The Company may use commodity exchange-traded futures and over-the-counter swap contracts, which are generally no longer than 2 years, to fix the price of a portion of its forecasted raw material requirements. Commodity purchase contracts are measured at fair value using market quotations obtained from the Chicago Board of Trade commodity futures exchange and commodity derivative dealers.

As of June 30, 2021, the notional amount of commodity derivatives was $32, of which $23 related to soybean oil futures used for the Food products business and $9 related to jet fuel swaps used for the Grilling business. As of June 30, 2020, the notional amount of commodity derivatives was $27, of which $14 related to soybean oil futures and $13 related to jet fuel swaps.

Foreign Currency Risk Management

The Company may also enter into certain over-the-counter derivative contracts to manage a portion of the Company's forecasted foreign currency exposure associated with the purchase of inventory. These foreign currency contracts generally have durations of no longer than 2 years. The foreign exchange contracts are measured at fair value using information quoted by foreign exchange dealers.

The notional amounts of outstanding foreign currency forward contracts used by the Company's subsidiaries to hedge forecasted purchases of inventory were $70 and $70, respectively, as of June 30, 2021 and 2020.

Interest Rate Risk Management

The Company may enter into over-the-counter interest rate contracts to fix a portion of the benchmark interest rate prior to the anticipated issuance of fixed rate debt. These interest rate contracts generally have durations of less than 3 years. The interest rate contracts are measured at fair value using information quoted by bond dealers.

The notional amounts of outstanding interest rate contracts used by the Company were $300 and $225, respectively, as of June 30, 2021 and June 30, 2020. These contracts represent forward starting interest rate swap contracts with a maturity date of September 2022 to manage the exposure to interest rate volatility associated with future interest payments on a forecasted debt issuance.

During fiscal year 2020, the Company entered into, and subsequently terminated, interest rate contracts related to the May 2020 issuance of $500 in senior notes (See Note 7). These contracts resulted in an insignificant gain recorded in Other comprehensive (loss) income, which is being amortized into Interest expense on the consolidated statement of earnings over the 10-year term of the notes.

Commodity, Foreign Exchange and Interest Rate Derivatives

The Company designates its commodity forward and futures contracts for forecasted purchases of raw materials, foreign currency forward contracts for forecasted purchases of inventory, and interest rate contracts for forecasted interest payments as cash flow hedges.

The effects of derivative instruments designated as hedging instruments on Other comprehensive (loss) income and Net earnings were as follows during the fiscal years ended June 30:

	Gains (losses) recognized in Other comprehensive (loss) income		
	2021	**2020**	**2019**
Commodity purchase derivative contracts	$ 21	$ (7)	$ (5)
Foreign exchange derivative contracts	—	—	—
Interest rate derivative contracts	23	2	—
Total	$ 44	$ (5)	$ (5)

	Location of Gains (losses) reclassified from Accumulated other comprehensive net (loss) income into Net earnings	Gains (losses) reclassified from Accumulated other comprehensive net (loss) income and recognized in Net earnings		
		2021	2020	2019
Commodity purchase derivative contracts	Cost of products sold	$ 1	$ (4)	$ (2)
Foreign exchange derivative contracts	Cost of products sold	—	—	2
Interest rate derivative contracts	Interest expense	(6)	(6)	(6)
Total		$ (5)	$ (10)	$ (6)

The estimated amount of the existing net gain (loss) in Accumulated other comprehensive net (loss) income as of June 30, 2021 that is expected to be reclassified into Net earnings within the next twelve months is $10.

Counterparty Risk Management and Derivative Contract Requirements

The Company utilizes a variety of financial institutions as counterparties for over-the-counter derivative instruments. The Company enters into agreements governing the use of over-the-counter derivative instruments and sets internal limits on the aggregate over-the-counter derivative instrument positions held with each counterparty. Certain terms of these agreements require the Company or the counterparty to post collateral when the fair value of the derivative instruments exceeds contractually defined counterparty liability position limits. Of the over-the-counter derivative instruments in liability positions held as of June 30, 2021 and 2020, $0 and $3, respectively, contained such terms. As of both June 30, 2021 and 2020, neither the Company nor any counterparty was required to post any collateral as no counterparty liability position limits were exceeded.

Certain terms of the agreements governing the Company's over-the-counter derivative instruments require the credit ratings, as assigned by Standard & Poor's and Moody's to the Company and its counterparties, to remain at a level equal to or better than the minimum of an investment grade credit rating. If the Company's credit ratings were to fall below investment grade, the counterparties to the derivative instruments could request full collateralization on derivative instruments in net liability positions. As of both June 30, 2021 and 2020, the Company and each of its counterparties had been assigned investment grade ratings by both Standard & Poor's and Moody's.

Certain of the Company's exchange-traded futures contracts used for commodity price risk management include requirements for the Company to post collateral in the form of a cash margin account held by the Company's broker for trades conducted on that exchange. As of June 30, 2021 and 2020, the Company maintained cash margin balances related to exchange-traded futures contracts of $0 and $2, respectively, which are classified as Prepaid expenses and other current assets on the consolidated balance sheets.

Trust Assets

The Company holds interests in mutual funds and cash equivalents as part of trust assets related to its nonqualified deferred compensation plans. The participants in the nonqualified deferred compensation plans, who are the Company's current and former employees, may select among certain mutual funds in which their compensation deferrals are invested in accordance with the terms of the plan and within the confines of the trusts, which hold the marketable securities. The trusts represent variable interest entities for which the Company is considered the primary beneficiary, and, therefore, trust assets are consolidated and included in Other assets in the consolidated balance sheets. The interests in mutual funds are measured at fair value using quoted market prices. The Company has designated these marketable securities as trading investments.

As of June 30, 2021, the value of the trust assets related to the Company's nonqualified deferred compensation plans increased by $36 as compared to June 30, 2020.

Fair Value of Financial Instruments

Financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets are required to be classified and disclosed in one of the following three categories of the fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

As of June 30, 2021 and 2020, the Company's financial assets and liabilities that were measured at fair value on a recurring basis during the period included derivative financial instruments, which were classified as either Level 1 or Level 2, and trust assets to fund the Company's nonqualified deferred compensation plans, which were classified as Level 1.

All of the Company's derivative instruments qualify for hedge accounting. The following table provides information about the balance sheet classification and the fair values of the Company's derivative instruments:

	Balance sheet classification	Fair value hierarchy level	2021 Carrying Amount	2021 Estimated Fair Value	2020 Carrying Amount	2020 Estimated Fair Value
Assets						
Commodity purchase futures contracts	Prepaid expenses and other current assets	1	$ 5	$ 5	$ —	$ —
Commodity purchase swaps contracts	Prepaid expenses and other current assets	2	4	4	—	—
Interest rate contracts	Other assets	2	24	24	1	1
			$ 33	$ 33	$ 1	$ 1
Liabilities						
Commodity purchase futures contracts	Accounts payable and accrued liabilities	1	$ —	$ —	$ 1	$ 1
Commodity purchase swaps contracts	Accounts payable and accrued liabilities	2	—	—	3	3
Foreign exchange forward contracts	Accounts payable and accrued liabilities	2	$ —	—	1	1
			$ —	$ —	$ 5	$ 5

The following table provides information about the balance sheet classification and the fair values of the Company's other assets and liabilities for which disclosure of fair value is required:

	Balance sheet classification	Fair value hierarchy level	2021 Carrying Amount	2021 Estimated Fair Value	2020 Carrying Amount	2020 Estimated Fair Value
Assets						
Interest-bearing investments, including money market funds	Cash and cash equivalents (1)	1	$ 196	$ 196	$ 584	$ 584
Time deposits	Cash and cash equivalents (1)	2	11	11	165	165
Trust assets for nonqualified deferred compensation plans	Other assets	1	136	136	100	100
			$ 343	$ 343	$ 849	$ 849
Liabilities						
Notes and loans payable	Notes and loans payable (2)	2	$ —	$ —	$ —	$ —
Current maturities of long-term debt and Long-term debt	Current maturities of long-term debt and Long-term debt (3)	2	2,784	2,963	2,780	3,051
			$ 2,784	$ 2,963	$ 2,780	$ 3,051

(1) Cash and cash equivalents are composed of time deposits and other interest-bearing investments, including money market funds with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value.
(2) Notes and loans payable is composed of outstanding U.S. commercial paper balances and/or amounts drawn on the Company's credit agreements, all of which are recorded at cost, which approximates fair value.
(3) Current maturities of long-term debt and Long-term debt are recorded at cost. The fair value of Long-term debt, including current maturities, was determined using secondary market prices quoted by corporate bond dealers, and is classified as Level 2.

Furthermore, impairment charges of $343 were recorded during the fiscal year 2021, of which $228, $86, and $29 related to the goodwill of the VMS reporting unit, certain indefinite-lived trademarks and other assets, respectively. These adjustments were included as non-cash charges in the consolidated statement of earnings. The non-recurring fair values utilized included unobservable Level 3 inputs based on management's best estimates and assumptions. See Note 5 for additional information.

NOTE 10. OTHER CONTINGENCIES, GUARANTEES AND COMMITMENTS

Contingencies

The Company is involved in certain environmental matters, including response actions at various locations. The Company had recorded liabilities totaling $28 as of both June 30, 2021 and 2020 for its share of aggregate future remediation costs related to these matters.

One matter, which accounted for $14 of the recorded liability as of both June 30, 2021 and 2020, relates to environmental costs associated with one of the Company's former operations at a site located in Alameda County, California. In November 2016, at the request of regulators and with the assistance of environmental consultants, the Company submitted a Feasibility Study that evaluated various options for managing the site and included estimates of the related costs. As a result, the Company recorded in Other (income) expense, net an undiscounted liability for costs estimated to be incurred over a 30-year period, based on the option recommended in the Feasibility Study. However, as a result of ongoing discussions with regulators, in June 2017, the Company increased its recorded liability to $14, which reflects anticipated costs to implement additional remediation measures at the site. While the Company believes its latest estimate is reasonable, regulators could require the Company to implement one of the other options evaluated in the Feasibility Study, with estimated undiscounted costs of up to $28 over an estimated 30-year period, or require the Company to take other actions and incur costs not included in the study.

Another matter in Dickinson County, Michigan, at the site of one of the Company's former operations for which the Company is jointly and severally liable, accounted for $10 of the recorded liability as of both June 30, 2021 and 2020. This amount reflects the Company's agreement to be liable for 24.3% of the aggregate remediation and associated costs for this matter pursuant to a cost-sharing arrangement with a third party. If the third party is unable to pay its share of the response and remediation obligations, the Company may be responsible for such obligations. With the assistance of environmental consultants, the Company maintains an undiscounted liability representing its current best estimate of its share of the capital expenditures, maintenance and other costs that may be incurred over an estimated 30-year remediation period. Although it is reasonably possible that the Company's exposure may exceed the amount recorded for the Dickinson County matter, any amount of such additional exposures, or range of exposures, is not estimable at this time. The Company's estimated losses related to these matters are sensitive to a variety of uncertain factors, including the efficacy of any remediation efforts, changes in any remediation requirements, and the future availability of alternative clean-up technologies.

The Company is subject to various legal proceedings, claims and other loss contingencies, including, without limitation, loss contingencies relating to contractual arrangements, product liability, patents and trademarks, advertising, labor and employment, environmental, health and safety and other matters. With respect to these proceedings, claims and other loss contingencies, while considerable uncertainty exists, in the opinion of management at this time, the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, either individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

Guarantees

In conjunction with divestitures and other transactions, the Company may provide typical indemnifications (e.g., indemnifications for representations and warranties and retention of previously existing environmental, tax and employee liabilities) that have terms that vary in duration and in the potential amount of the total obligation and, in many circumstances, are not explicitly defined. The Company has not made, nor does it believe that it is probable that it will make, any material payments relating to its indemnifications, and believes that any reasonably possible payments would not have a material adverse effect, either individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

The Company had not recorded any material liabilities on the aforementioned guarantees as of June 30, 2021 and 2020.

The Company was a party to a letter of credit of $11 as of June 30, 2021 and $10 as of June 30, 2020, primarily related to one of its insurance carriers, of which $0 had been drawn upon.

Commitments

The Company is a party to certain purchase obligations, which are defined as purchase agreements that are enforceable and legally binding and that contain specified or determinable significant terms, including quantity, price and the approximate timing of the transaction. For purchase obligations subject to variable price and/or quantity provisions, an estimate of the price and/or quantity must be made. Examples of the Company's purchase obligations include contracts to purchase raw materials, commitments to contract manufacturers, commitments for information technology and related services, advertising contracts, capital expenditure agreements, software acquisition and license commitments and service contracts. The Company enters into purchase obligations based on expectations of future business needs. Many of these purchase obligations are flexible to allow for changes in the Company's business and related requirements. As of June 30, 2021, the Company's purchase obligations by purchase date were approximately as follows:

Year		Purchase Obligations
2022	$	254
2023		96
2024		53
2025		26
2026		17
Thereafter		27
Total	$	473

NOTE 11. LEASES

The Company leases various property, plant and equipment, including office, warehousing, manufacturing and research and development facilities and equipment. These leases have remaining lease terms of up to 36 years, inclusive of renewal or termination options that the Company is reasonably certain to exercise. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information related to the Company's leases as of June 30 was as follows:

	Balance sheet classification		2021		2020
Operating leases					
Right-of-use assets	Operating lease right-of-use assets	$	332	$	291
Current lease liabilities	Current operating lease liabilities	$	81	$	64
Non-current lease liabilities	Long-term operating lease liabilities		301		278
Total operating lease liabilities		$	382	$	342
Finance leases					
Right-of-use assets	Other assets	$	19	$	14
Current lease liabilities	Accounts payable and accrued liabilities	$	5	$	2
Non-current lease liabilities	Other liabilities		15		12
Total finance lease liabilities		$	20	$	14

Components of lease cost were as follows for the fiscal years ended June 30:

	2021	2020
Operating lease cost	$ 73	$ 73
Finance lease cost:		
Amortization of right-of-use assets	$ 4	$ 4
Interest on lease liabilities	—	—
Total finance lease cost	$ 4	$ 4
Variable lease cost	$ 39	$ 39
Short term lease cost	$ 2	$ 1

Supplemental cash flow information and non-cash activity related to the Company's leases were as follows during fiscal years ended June 30:

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases, net	$ 75	$ 54
Operating cash flows from finance leases	—	—
Financing cash flows from finance leases	3	2
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 106	$ 38
Finance leases	7	8

Weighted-average remaining lease term and discount rate for the Company's leases were as follows as of fiscal year ended June 30:

	2021
Weighted-average remaining lease term:	
Operating leases	7 years
Finance leases	5 years
Weighted-average discount rate:	
Operating leases	2.2 %
Finance leases	3.3 %

Maturities of lease liabilities by fiscal year for the Company's leases as of June 30, 2021 were as follows:

Year	Operating leases	Finance leases
2022	$ 85	$ 6
2023	68	5
2024	58	3
2025	50	2
2026	43	2
Thereafter	107	4
Total lease payments	$ 411	$ 22
Less: Imputed interest	(29)	(2)
Total lease liabilities	$ 382	$ 20

Operating and finance lease payments presented in the table above exclude $32 and $5, respectively, of minimum lease payments signed but not yet commenced as of June 30, 2021.

NOTE 12. STOCKHOLDERS' EQUITY

On November 18, 2020 the Company retired 28 million shares of its treasury stock. These shares are now authorized but unissued. There was no effect on the Company's overall equity position as a result of the retirement.

As of June 30, 2021, the Company had two stock repurchase programs: an open-market purchase program with an authorized aggregate purchase amount of up to $2,000, which has no expiration date, was authorized by the Board of Directors in May 2018, and a program to offset the anticipated impact of dilution related to stock-based awards (the Evergreen Program), which has no authorization limit on the dollar amount and no expiration date.

Stock repurchases under the two stock repurchase programs were as follows during the fiscal years ended June 30:

	2021		2020		2019	
	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)
Open-market purchase program	$ 500	2,774	$ 85	577	$ 328	2,266
Evergreen Program	405	1,984	157	954	332	2,208
Total stock repurchases	$ 905	4,758	$ 242	1,531	$ 660	4,474

Dividends per share paid to Clorox stockholders during the fiscal years ended June 30 were as follows:

	2021	2020	2019
Dividends per share paid	$ 4.44	$ 4.24	$ 3.84

Accumulated Other Comprehensive Net (Loss) Income

Changes in Accumulated other comprehensive net (loss) income attributable to Clorox by component were as follows for the fiscal years ended June 30:

	Foreign currency translation adjustments	Net unrealized gains (losses) on derivatives	Pension and postretirement benefit adjustments	Accumulated other comprehensive net (loss) income
Balance June 30, 2018	$ (384)	$ (25)	$ (138)	$ (547)
Other comprehensive (loss) income before reclassifications	(20)	(5)	—	(25)
Amounts reclassified from Accumulated other comprehensive net (loss) income	—	6	6	12
Income tax benefit (expense)	(2)	1	(2)	(3)
Net current period other comprehensive (loss) income	(22)	2	4	(16)
Cumulative effect of accounting changes [1]	(8)	—	(31)	(39)
Balance June 30, 2019	(414)	(23)	(165)	(602)
Other comprehensive (loss) income before reclassifications	(35)	(5)	(16)	(56)
Amounts reclassified from Accumulated other comprehensive net (loss) income	—	10	7	17
Income tax benefit (expense)	(1)	—	2	1
Net current period other comprehensive (loss) income	(36)	5	(7)	(38)
Balance June 30, 2020	(450)	(18)	(172)	(640)
Other comprehensive (loss) income before reclassifications	53	44	(2)	95
Amounts reclassified from Accumulated other comprehensive net (loss) income	(5)	5	14	14
Income tax benefit (expense)	(1)	(10)	(4)	(15)
Net current period other comprehensive (loss) income	47	39	8	94
Balance June 30, 2021	$ (403)	$ 21	$ (164)	$ (546)

[1] The opening balance of Accumulated other comprehensive net (loss) income was adjusted as a result of adopting ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (ASC 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," on April 1, 2019.

Included in foreign currency translation adjustments are re-measurement losses on long-term intercompany loans where settlement is not planned or anticipated in the foreseeable future. There were $11, $0, and $0 associated with these loans reclassified from Accumulated other comprehensive net (loss) income for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

NOTE 13. NET EARNINGS PER SHARE (EPS)

The following is the reconciliation of the weighted average number of shares outstanding (in thousands) used to calculate basic net EPS to those used to calculate diluted net EPS for the fiscal years ended June 30:

	2021	2020	2019
Basic	125,570	125,828	127,734
Dilutive effect of stock options and other	1,729	1,843	2,058
Diluted	127,299	127,671	129,792
Antidilutive stock options and other	476	—	800

Basic net earnings per share and Diluted net earnings per share are calculated on Net earnings attributable to Clorox.

NOTE 14. STOCK-BASED COMPENSATION PLANS

In November 2012, the Company's stockholders voted to approve the amended and restated 2005 Stock Incentive Plan (the Plan). The Plan permits the Company to grant various nonqualified stock-based compensation awards, including stock options, restricted stock, performance shares, deferred stock units, stock appreciation rights and other stock-based awards. The primary amendment reflected in the Plan was an increase of approximately 3 million common shares that may be issued for stock-based compensation purposes. As of June 30, 2021, the Company was authorized to grant up to approximately 7 million common shares, plus additional shares equal to shares that are potentially deliverable under an award that expires or are canceled, forfeited or settled without the delivery of shares, under the Plan. As of June 30, 2021, approximately 8 million common shares remained available for grant.

Compensation cost and the related income tax benefit recognized for stock-based compensation plans were classified as indicated below for the fiscal years ended June 30:

	2021	2020	2019
Cost of products sold	$ 6	$ 5	$ 5
Selling and administrative expenses	40	41	35
Research and development costs	4	4	3
Total compensation costs	$ 50	$ 50	$ 43
Related income tax benefit	$ 12	$ 12	$ 10

Cash received during fiscal years 2021, 2020 and 2019 from stock options exercised under all stock-based payment arrangements was $133, $176 and $166, respectively. The Company issues shares for stock-based compensation plans from treasury stock. The Company may repurchase stock under its Evergreen Program to offset the estimated impact of dilution related to stock-based awards (See Note 12).

Details regarding the valuation and accounting for stock options, restricted stock awards, performance shares and deferred stock units for non-employee directors follow.

Stock Options

The fair value of each stock option award granted during fiscal years 2021, 2020 and 2019 was estimated on the date of grant using the Black-Scholes valuation model and assumptions noted in the following table:

	2021	2020	2019
Expected life	5.3 to 5.4 years	5.4 years	5.4 years
Weighted-average expected life	5.4 years	5.4 years	5.4 years
Expected volatility	21.4% to 23.2%	18.7%	17.3% to 20.2%
Weighted-average volatility	21.9%	18.7%	17.4%
Risk-free interest rate	0.3% to 0.5%	1.7%	2.5% to 3.0%
Weighted-average risk-free interest rate	0.3%	1.7%	2.9%
Dividend yield	2.1% to 2.3%	2.8%	2.5% to 2.6%
Weighted-average dividend yield	2.1%	2.8%	2.6%

The expected life of the stock options is based on historical exercise patterns. The expected volatility is based on implied volatility from publicly traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly traded options and other factors. The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

NOTE 14. STOCK-BASED COMPENSATION PLANS (Continued)

Details of the Company's stock option activities are summarized below:

	Number of Shares (In thousands)	Weighted-Average Exercise Price per Share	Average Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding as of June 30, 2020	4,861	$ 127	6 years	$ 451
Granted	451	212		
Exercised	1,167	115		
Canceled	125	162		
Options outstanding as of June 30, 2021	4,020	$ 139	6 years	$ 179
Options vested as of June 30, 2021	2,661	$ 122	5 years	$ 153

The weighted-average fair value per share of each option granted during fiscal years 2021, 2020 and 2019, estimated at the grant date using the Black-Scholes option pricing model, was $30.90, $20.03 and $22.38, respectively. The total intrinsic value of options exercised in fiscal years 2021, 2020 and 2019 was $109, $145 and $125, respectively.

Stock option awards outstanding as of June 30, 2021, have been granted at prices that are equal to the market value of the stock on the date of grant. Stock option grants generally vest over 4 years and expire no later than 10 years after the grant date. The Company recognizes compensation expense on a straight-line basis over the vesting period. As of June 30, 2021, there was $12 of total unrecognized compensation cost related to non-vested options, which is expected to be recognized over a remaining weighted-average vesting period of 1 year, subject to forfeiture changes.

Restricted Stock Awards

The fair value of restricted stock awards is estimated on the date of grant based on the market price of the stock and is amortized to compensation expense on a straight-line basis over the related vesting periods, which are generally 3 to 4 years. The total number of restricted stock awards expected to vest is adjusted by actual and estimated forfeitures. Restricted stock awards receive dividend distributions earned during the vesting period upon vesting.

As of June 30, 2021, there was $29 of total unrecognized compensation cost related to non-vested restricted stock awards, which is expected to be recognized over a remaining weighted-average vesting period of 1 year. The total fair value of the shares that vested in each of the fiscal years 2021, 2020 and 2019 was $15, $9 and $5, respectively. The weighted-average grant-date fair value of awards granted was $210.78, $156.25 and $152.12 per share for fiscal years 2021, 2020 and 2019, respectively.

A summary of the status of the Company's restricted stock awards is presented below:

	Number of Shares (In thousands)	Weighted-Average Grant Date Fair Value per Share
Restricted stock awards as of June 30, 2020	294	$ 150
Granted	147	211
Vested	99	147
Forfeited	27	164
Restricted stock awards as of June 30, 2021	315	$ 178

Performance Shares

As of June 30, 2021, there was $10 in unrecognized compensation cost related to non-vested performance shares that is expected to be recognized over a remaining weighted-average performance period of 1 year. The weighted-average grant-date fair value of awards granted was $212.00, $155.54 and $151.95 per share for fiscal years 2021, 2020 and 2019, respectively.

NOTE 14. STOCK-BASED COMPENSATION PLANS (Continued)

A summary of the status of the Company's performance share awards is presented below:

	Number of Shares (In thousands)	Weighted-Average Grant Date Fair Value per Share
Performance share awards as of June 30, 2020	414	$ 128
Granted	106	$ 212
Distributed	129	$ 120
Forfeited	38	$ 148
Performance share awards as of June 30, 2021	353	$ 146
Performance shares vested and deferred as of June 30, 2021	112	$ 91

The non-vested performance shares outstanding as of June 30, 2021 and 2020 were 241,000 and 278,000, respectively, and the weighted average grant date fair value was $172.04 and $148.59 per share, respectively. During fiscal year 2021, 105,000 shares vested. The total fair value of shares vested was $26, $26 and $37 during fiscal years 2021, 2020 and 2019, respectively. Upon vesting, the recipients of the grants receive the distribution as shares or, if previously elected by eligible recipients, as deferred stock. Deferred shares continue to earn dividends, which are also deferred.

Deferred Stock Units for Nonemployee Directors

Nonemployee directors receive annual grants of deferred stock units under the Company's director compensation program and can elect to receive all or a portion of their annual retainers and fees in the form of deferred stock units. The deferred stock units receive dividend distributions, which are reinvested as deferred stock units, and are recognized at their fair value on the date of grant. Each deferred stock unit represents the right to receive one share of the Company's common stock following the completion of a director's service.

During fiscal year 2021, the Company granted 11,000 deferred stock units, reinvested dividends of 4,000 units and distributed 31,000 shares, which had a weighted-average fair value on the grant date of $199.50, $198.51 and $83.24 per share, respectively. As of June 30, 2021, 174,000 units were outstanding, which had a weighted-average fair value on the grant date of $106.62 per share.

NOTE 15. OTHER (INCOME) EXPENSE, NET

The major components of Other (income) expense, net, for the fiscal years ended June 30 were:

	2021	2020	2019
Amortization of trademarks and other intangible assets	$ 31	$ 13	$ 17
Trust investment (gains) losses, net	(25)	(3)	(6)
Net periodic benefit cost	15	10	14
Foreign exchange transaction (gains) losses, net	10	7	7
Income from equity investees	(5)	(20)	(15)
Interest income	(5)	(2)	(3)
Gain on previously held equity investment [1]	(85)	—	—
Indemnity settlement from past acquisition	—	(15)	—
Other	(8)	—	(11)
Total	$ (72)	$ (10)	$ 3

[1] Non-recurring, non-cash gain from the remeasurement of the Company's previously held investment in its Saudi joint venture (see Note 2).

NOTE 16. INCOME TAXES

The provision for income taxes, by tax jurisdiction, consisted of the following for the fiscal years ended June 30:

	2021	2020	2019
Current			
Federal	$ 146	$ 171	$ 166
State	26	32	24
Foreign	41	45	34
Total current	$ 213	$ 248	$ 224
Deferred			
Federal	$ (26)	$ 13	$ (22)
State	(9)	(5)	(1)
Foreign	3	(10)	3
Total deferred	(32)	(2)	(20)
Total	$ 181	$ 246	$ 204

The components of Earnings before income taxes, by tax jurisdiction, consisted of the following for the fiscal years ended June 30:

	2021	2020	2019
United States	$ 696	$ 1,041	$ 912
Foreign	204	144	112
Total	$ 900	$ 1,185	$ 1,024

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate on operations follows for the fiscal years ended June 30:

	2021	2020	2019
Statutory federal tax rate	21.0 %	21.0 %	21.0 %
State taxes (net of federal tax benefits)	1.5	1.7	1.7
Tax differential on foreign earnings	0.2	0.9	1.0
Federal excess tax benefits	(2.7)	(2.4)	(2.3)
Other differences	0.1	(0.4)	(1.6)
Effective tax rate	20.1 %	20.8 %	19.8 %

Per U.S. GAAP, foreign withholding taxes are provided on unremitted foreign earnings that are not indefinitely reinvested at the time the earnings are generated. The Company regularly reviews and assesses whether there are any changes to its indefinite reinvestment assertion. Through the second quarter of fiscal year 2018, the Company had determined that the undistributed earnings of a number of its foreign subsidiaries were indefinitely reinvested. When the Tax Act was passed into law in December 2017, it significantly reduced the cost of U.S. repatriation. In the third quarter of fiscal year 2018, the Company concluded an analysis wherein it determined that none of the undistributed earnings of its foreign subsidiaries were indefinitely reinvested. As a result, the Company is providing foreign withholding taxes on the undistributed earnings of all foreign subsidiaries where applicable. These withholding taxes had no significant impact on the Company's consolidated results.

The components of net deferred tax assets (liabilities) as of June 30 are shown below:

	2021	2020
Deferred tax assets		
Compensation and benefit programs	$ 104	$ 119
Net operating loss and tax credit carryforwards	85	84
Operating and finance lease liabilities	100	75
Accruals and reserves	39	38
Basis difference related to the Venture Agreement	19	19
Inventory costs	18	16
Other	15	18
Subtotal	380	369
Valuation allowance	(42)	(38)
Total deferred tax assets	$ 338	$ 331
Deferred tax liabilities		
Fixed and intangible assets	$ (232)	$ (256)
Lease right-of-use assets	(94)	(68)
Low-income housing partnerships	—	(9)
Other	(41)	(24)
Total deferred tax liabilities	(367)	(357)
Net deferred tax assets (liabilities)	$ (29)	$ (26)

The Company reviews its deferred tax assets for recoverability on a quarterly basis. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Valuation allowances have been provided to reduce deferred tax assets to amounts considered recoverable. Details of the valuation allowance were as follows as of June 30:

	2021	2020	2019
Valuation allowance at beginning of year	$ (38)	$ (44)	$ (43)
Net decrease/(increase) for other foreign deferred tax assets	(1)	1	—
Net decrease/(increase) for foreign net operating loss carryforwards and tax credits	(3)	5	(1)
Valuation allowance at end of year	$ (42)	$ (38)	$ (44)

As of June 30, 2021, the Company had foreign tax credit carryforwards of $28 for U.S. income tax purposes with expiration dates between fiscal years 2024 and 2031. Tax credit carryforwards in U.S. jurisdictions of $2 have expiration dates between fiscal year 2022 and 2031. Tax credit carryforwards in U.S. jurisdictions of $2 can be carried forward indefinitely. Tax credit carryforwards in foreign jurisdictions of $27 can be carried forward indefinitely. Tax benefits from foreign net operating loss carryforwards of $19 have expiration dates between fiscal years 2021 and 2037. Tax benefits from foreign net operating loss carryforwards of $7 can be carried forward indefinitely.

The Company files income tax returns in the U.S. federal and various state, local and foreign jurisdictions. The federal statute of limitations has expired for all tax years through June 30, 2015. Various income tax returns in state and foreign jurisdictions are currently in the process of examination.

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. As of June 30, 2021 and 2020, the total balance of accrued interest and penalties related to uncertain tax positions was $2 and $2, respectively. Interest and penalties related to uncertain tax positions included in income tax expense resulted in a net benefit of $0 in fiscal year 2021, a net benefit of $2 in fiscal year 2020, and a net benefit of $1 in fiscal year 2019.

The following is a reconciliation of the beginning and ending amounts of the Company's gross unrecognized tax benefits:

	2021	2020	2019
Unrecognized tax benefits at beginning of year	$ 22	$ 31	$ 47
Gross increases - tax positions in prior periods	1	1	2
Gross decreases - tax positions in prior periods	(5)	(11)	(20)
Gross increases - current period tax positions	3	4	6
Gross decreases - current period tax positions	—	—	—
Lapse of applicable statute of limitations	—	(1)	(3)
Settlements	—	(2)	(1)
Unrecognized tax benefits at end of year	$ 21	$ 22	$ 31

Included in the balance of unrecognized tax benefits as of June 30, 2021, 2020 and 2019, were potential benefits of $17, $17 and $23, respectively, which if recognized, would affect the effective tax rate. Unrecognized tax benefits are not expected to significantly increase or decrease within the next 12 months.

During the year ended June 30, 2019, new facts and circumstances warranted the recognition of previously unrecognized federal, state, and foreign income tax benefits from prior years. The benefits that were recognized in the prior year were not material for any one jurisdiction or any one tax position.

NOTE 17. EMPLOYEE BENEFIT PLANS

Retirement Income Plans

The Company has various retirement income plans for eligible domestic and international employees. As of June 30, 2021 and 2020, the domestic retirement income plans were frozen for most participants, and the benefits of the domestic retirement income plans were generally based on either employee years of service and compensation or a stated dollar amount per year of service.

The Company contributed $14, $13 and $63 to its domestic retirement income plans during fiscal years 2021, 2020 and 2019, respectively. The Company's funding policy is to contribute amounts sufficient to meet benefit payments and minimum funding requirements as set forth in employee benefit tax laws plus additional amounts as the Company may determine to be appropriate.

Retirement Health Care Plans

The Company provides certain health care benefits for employees who meet age, participation and length of service requirements at retirement. The plans pay stated percentages of covered expenses after annual deductibles have been met or stated reimbursements up to a specified dollar subsidy amount. Benefits paid take into consideration payments by Medicare for the domestic plan. The plans are funded as claims are paid, and the Company has the right to modify or terminate certain plans.

Benefit Obligation and Funded Status

Summarized information for the Company's retirement income and retirement health care plans as of and for the fiscal years ended June 30 is as follows:

	Retirement Income		Retirement Health Care	
	2021	2020	2021	2020
Change in benefit obligations:				
Benefit obligation as of beginning of year	$ 628	$ 604	$ 36	$ 34
Service cost	2	1	—	—
Interest cost	15	20	1	1
Actuarial loss (gain)	12	43	—	4
Plan amendments	—	—	—	—
Translation and other adjustments	8	(1)	1	—
Plan settlement	(12)	—	—	—
Benefits paid	(32)	(39)	(2)	(3)
Benefit obligation as of end of year	$ 621	$ 628	$ 36	$ 36
Change in plan assets:				
Fair value of assets as of beginning of year	$ 507	$ 485	$ —	$ —
Actual return on plan assets	26	48	—	—
Employer contributions	15	13	2	3
Benefits paid	(44)	(39)	(2)	(3)
Translation and other adjustments	2	—	—	—
Fair value of plan assets as of end of year	506	507	—	—
Accrued benefit cost, net funded status	$ (115)	$ (121)	$ (36)	$ (36)

Amount recognized in the balance sheets consists of:				
Pension benefit assets	$ 61	$ 52	$ —	$ —
Current accrued benefit liability	(12)	(11)	(2)	(2)
Non-current accrued benefit liability	(164)	(162)	(34)	(34)
Accrued benefit cost, net	$ (115)	$ (121)	$ (36)	$ (36)

For the retirement income plans, the benefit obligation is the projected benefit obligation (PBO). For the retirement health care plan, the benefit obligation is the accumulated benefit obligation (ABO).

The ABO for all retirement income plans was $618, $626 and $603 as of June 30, 2021, 2020 and 2019, respectively.

Retirement income plans with ABO or PBO in excess of plan assets as of June 30 were as follows:

	ABO Exceeds the Fair Value of Plan Assets		PBO Exceeds the Fair Value of Plan Assets	
	2021	2020	2021	2020
Projected benefit obligation	$ 176	$ 172	$ 178	$ 173
Accumulated benefit obligation	174	170	175	172
Fair value of plan assets	—	—	2	1

NOTE 17. EMPLOYEE BENEFIT PLANS (Continued)

Net Periodic Benefit Cost

The net cost of the retirement income and health care plans for the fiscal years ended June 30 included the following components:

	Retirement Income			Retirement Health Care		
	2021	2020	2019	2021	2020	2019
Service cost	$ 2	$ 1	$ 1	$ —	$ —	$ —
Interest cost	15	20	23	1	1	2
Expected return on plan assets	(16)	(19)	(18)	—	—	—
Settlement loss recognized	5	—	—	—	—	—
Amortization of unrecognized items	11	10	9	(2)	(3)	(3)
Total	$ 17	$ 12	$ 15	$ (1)	$ (2)	$ (1)

Service cost component of the net periodic benefit cost is reflected in employee benefit costs, all other components are reflected in Other (income) expenses, net.

Items not yet recognized as a component of postretirement expense as of June 30, 2021, consisted of:

	Retirement Income	Retirement Health Care
Net actuarial loss (gain)	$ 226	$ (10)
Prior service benefit	—	—
Net deferred income tax (assets) liabilities	(54)	2
Accumulated other comprehensive loss (income)	$ 172	$ (8)

Net actuarial loss (gain) recorded in Accumulated other comprehensive net (loss) income for the fiscal year ended June 30, 2021, included the following:

	Retirement Income	Retirement Health Care
Net actuarial loss (gain) as of beginning of year	$ 240	$ (12)
Amortization during the year	(16)	2
Loss (gain) during the year	2	—
Net actuarial loss (gain) as of end of year	$ 226	$ (10)

The Company uses the straight-line amortization method for unrecognized prior service costs and benefits.

Assumptions

Weighted-average assumptions used to estimate the actuarial present value of benefit obligations were as follows as of June 30:

	Retirement Income		Retirement Health Care	
	2021	2020	2021	2020
Discount rate	2.56 %	2.45 %	2.61 %	2.51 %
Rate of compensation increase	3.02 %	2.92 %	n/a	n/a
Interest crediting rate	2.57 %	1.9 %	n/a	n/a

Weighted-average assumptions used to estimate the retirement income and retirement health care costs were as follows as of June 30:

	Retirement Income		
	2021	2020	2019
Discount rate	2.45 %	3.41 %	4.10 %
Rate of compensation increase	2.92 %	2.86 %	2.87 %
Expected return on plan assets	3.08 %	3.95 %	4.33 %
Interest crediting rate	1.92 %	3.01 %	3.42 %
	Retirement Health Care		
	2021	2020	2019
Discount rate	2.51 %	3.35 %	4.01 %

The expected long-term rate of return assumption is based on an analysis of historical experience of the portfolio and the summation of prospective returns for each asset class in proportion to the fund's current asset allocation.

The actuarial benefit obligation loss incurred during the fiscal year 2021 was primarily driven by the increase in interest crediting rate, while the actuarial benefit obligation loss during fiscal year 2020 as primarily driven by the decrease in discount rate. In both years, asset gains partially offset the benefit obligation losses.

Expected Benefit Payments

Expected benefit payments for the Company's retirement income and retirement health care plans as of June 30, 2021, were as follows:

	Retirement Income	Retirement Health Care
2022	$ 40	$ 2
2023	53	2
2024	39	2
2025	38	2
2026	38	2
Fiscal years 2027 through 2031	183	12

Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

Plan Assets

The target allocations and weighted average asset allocations by asset category of the investment portfolio for the Company's domestic retirement income plans as of June 30 were:

	% Target Allocation		% of Plan Assets	
	2021	2020	2021	2020
U.S. equity	3 %	5 %	3 %	5 %
International equity	2 %	5 %	2 %	5 %
Fixed income	95 %	90 %	94 %	90 %
Other	— %	— %	1 %	— %
Total	100 %	100 %	100 %	100 %

The target asset allocation is determined based on the optimal balance between risk and return and, at times, may be adjusted to achieve the plan's overall investment objective to generate sufficient resources to pay current and projected plan obligations over the life of the domestic retirement income plan.

The following table sets forth the retirement income plans' assets carried at fair value as of June 30:

		2021
Common collective trusts measured at net asset value		
Bond funds	$	459
International equity funds		28
Domestic equity funds		14
Short-term investment fund		3
Real estate fund		2
Total assets at fair value	$	506

		2020
Common collective trusts measured at net asset value		
Bond funds	$	444
International equity funds		36
Domestic equity funds		23
Short-term investment fund		3
Real estate fund		1
Total assets at fair value	$	507

Common collective trust funds are not publicly traded and were valued at a net asset value unit price determined by the portfolio's sponsor based on the fair value of underlying assets held by the common collective trust fund on June 30, 2021 and 2020.

The common collective trusts are invested in various trusts that attempt to achieve their investment objectives by investing primarily in other collective investment funds that have characteristics consistent with each trust's overall investment objective and strategy.

Defined Contribution Plans

The Company has various defined contribution plans for eligible domestic and international employees. The aggregate cost of the domestic defined contribution plans was $65, $54 and $49 in fiscal years 2021, 2020 and 2019, respectively. The aggregate cost of the international defined contribution plans was $4, $4 and $4 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively.

NOTE 18. SEGMENT REPORTING

The Company operates through SBUs that are also the Company's operating segments. These SBUs are then aggregated into four reportable segments: Health and Wellness, Household, Lifestyle, and International. These four reportable segments consist of the following:

- *Health and Wellness* consists of cleaning products, professional products, and vitamins, minerals and supplement products mainly marketed and sold in the U.S.
- *Household* consists of cat litter products, bags and wraps, and grilling products marketed and sold in the U.S.
- *Lifestyle* consists of food, natural personal care products, and water-filtration marketed and sold in the U.S.
- *International* consists of products sold outside the U.S. Products within this segment include laundry additives; home care products; water-filtration systems and filters; digestive health products; grilling products; cat litter products; food products; bags and wraps; natural personal care products; and professional cleaning and disinfecting products.

Certain non-allocated administrative costs, interest income, interest expense and various other non-operating income and expenses are reflected in Corporate. Corporate assets include cash and cash equivalents, prepaid expenses and other current assets, property and equipment, operating lease right-of-use assets, other long-term assets and deferred taxes.

	Fiscal Year	Health and Wellness [1]	Household	Lifestyle	International [2]	Corporate	Total Company
Net sales	2021	$ 2,980	$ 1,981	$ 1,218	$ 1,162	$ —	$ 7,341
	2020	2,749	1,795	1,154	1,023	—	6,721
	2019	2,422	1,774	1,048	970	—	6,214
Earnings (losses) before income taxes	2021	305	375	320	201	(301)	900
	2020	766	347	320	116	(364)	1,185
	2019	570	337	264	96	(243)	1,024
Income from equity investees included in Other (income) expense, net	2021	—	—	—	5	—	5
	2020	—	—	—	20	—	20
	2019	—	—	—	15	—	15
Total assets	2021	2,043	912	1,011	1,489	879	6,334
	2020	2,145	810	956	1,010	1,292	6,213
Capital expenditures	2021	135	108	29	42	17	331
	2020	72	94	46	20	22	254
	2019	63	80	26	26	11	206
Depreciation and amortization	2021	67	67	23	45	9	211
	2020	64	65	22	22	7	180
	2019	66	64	20	25	5	180
Significant non-cash charges included in earnings (losses) before income taxes:							
Stock-based compensation	2021	19	10	7	2	12	50
	2020	13	9	6	1	21	50
	2019	15	11	7	1	9	43

[1] Fiscal year 2021 earnings (losses) before income taxes for the Health and Wellness segment included impairment charges of $329, of which $228, $86, and $15 related to the goodwill of the VMS reporting unit, certain indefinite-lived trademarks and other assets, respectively.
[2] Fiscal year 2021 earnings (losses) before income taxes for the International segment included an $85 non-cash gain from the remeasurement of the Company's previously held investment in its Saudi joint venture.

All intersegment sales are eliminated and are not included in the Company's reportable segments' net sales.

Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 25% of consolidated net sales for each of the fiscal years ended June 30, 2021, 2020 and 2019, and occurred across all of the Company's reportable segments. No other customers accounted for 10% or more of the Company's consolidated net sales in any of these fiscal years.

NOTE 18. SEGMENT REPORTING (Continued)

The following table provides Net sales as a percentage of the Company's consolidated net sales, disaggregated by SBU under the new reporting structure, for the fiscal years ended June 30:

	2021	2020	2019
Cleaning	30 %	30 %	28 %
Professional Products	7 %	7 %	6 %
Vitamins, Minerals and Supplements	4 %	4 %	5 %
Health and Wellness	**41 %**	**41 %**	**39 %**
Bags and Wraps	11 %	12 %	13 %
Cat Litter	7 %	7 %	7 %
Grilling	9 %	8 %	8 %
Household	**27 %**	**27 %**	**28 %**
Food Products	9 %	9 %	9 %
Natural Personal Care	4 %	4 %	5 %
Water Filtration	3 %	4 %	3 %
Lifestyle	**16 %**	**17 %**	**17 %**
International	**16 %**	**15 %**	**16 %**
Total	**100 %**	**100 %**	**100 %**

The Company's products are marketed and sold globally. The following table provides the Company's global product lines, which were sold in the U.S. (including the Professional Products SBU) and International, that accounted for 10% or more of consolidated net sales for the fiscal years ended June 30:

	2021	2020	2019
Cleaning products	43 %	43 %	40 %
Bags and wraps	14 %	15 %	16 %
Food products	10 %	10 %	10 %

Net sales and property, plant and equipment, net, by geographic area for and as of the fiscal years ended June 30 were as follows:

	Fiscal Year	United States	Foreign	Total Company
Net sales	2021	$ 6,207	$ 1,134	$ 7,341
	2020	5,725	996	6,721
	2019	5,281	933	6,214
Property, plant and equipment, net	2021	1,143	159	1,302
	2020	1,005	98	1,103

NOTE 19. RELATED PARTY TRANSACTIONS

The Company holds various equity investments with ownership percentages of up to 50% in a number of consumer products businesses, which operate both within and outside the United States. The equity investments, presented in Other assets and accounted for under the equity method, were $55 and $62 as of the fiscal years ended June 30, 2021 and 2020, respectively. The Company has no ongoing capital commitments, loan requirements, guarantees or any other types of arrangements under the terms of its agreements that would require any future cash contributions or disbursements arising out of an equity investment.

Transactions with the Company's equity investees typically represent payments for contract manufacturing and purchases of raw materials. Payments to related parties, including equity investees, for such transactions during the fiscal years ended June 30, 2021, 2020 and 2019 were $44, $55 and $56, respectively. Receipts from and ending accounts receivable and payable balances related to the Company's related parties were not significant during or as of the end of each of the fiscal years presented.

NOTE 20. UNAUDITED QUARTERLY DATA

Dollars in millions, except per share data	Quarters Ended				
	September 30	December 31	March 31	June 30	Full Year
Fiscal year ended June 30, 2021					
Net sales	$ 1,916	$ 1,842	$ 1,781	$ 1,802	$ 7,341
Cost of products sold	$ 996	$ 1,005	$ 1,007	$ 1,134	$ 4,142
Net earnings (losses) [(1)]	$ 417	$ 261	$ (59)	$ 100	$ 719
Net earnings (losses) attributable to Clorox [(1)]	$ 415	$ 259	$ (61)	$ 97	$ 710
Net earnings (losses) per share attributable to Clorox:					
Basic net earnings (losses) per share	$ 3.28	$ 2.06	$ (0.49)	$ 0.79	$ 5.66
Diluted net earnings (losses) per share	$ 3.22	$ 2.03	$ (0.49)	$ 0.78	$ 5.58
Dividends declared per share	$ 1.11	$ 1.11	$ 1.11	$ 1.16	$ 4.49
Fiscal year ended June 30, 2020					
Net sales	$ 1,506	$ 1,449	$ 1,783	$ 1,983	$ 6,721
Cost of products sold	$ 843	$ 810	$ 951	$ 1,054	$ 3,658
Net earnings (losses)	$ 203	$ 185	$ 241	$ 310	$ 939
Net earnings attributable to Clorox	$ 203	$ 185	$ 241	$ 310	$ 939
Net earnings per share attributable to Clorox:					
Basic net earnings per share	$ 1.61	$ 1.48	$ 1.92	$ 2.45	$ 7.46
Diluted net earnings per share	$ 1.59	$ 1.46	$ 1.89	$ 2.41	$ 7.36
Dividends declared per share	$ 1.06	$ 1.06	$ 1.06	$ 1.11	$ 4.29

[(1)] Fiscal year 2021 net earnings and net earnings attributable to Clorox includes impairment charges recorded in the quarter ended March 31, 2021 within the VMS reporting unit of $329, of which $228, $86, and $15 related to goodwill, certain indefinite-lived trademarks and other assets, respectively.

FIVE-YEAR FINANCIAL SUMMARY

The Clorox Company

Dollars in millions, except per share data	Years ended June 30 2021 (2)	2020	2019	2018	2017
OPERATIONS					
Net sales	$ 7,341	$ 6,721	$ 6,214	$ 6,124	$ 5,973
Gross profit	3,199	$ 3,063	$ 2,728	$ 2,675	$ 2,671
Earnings from continuing operations	$ 719	$ 939	$ 820	$ 823	$ 703
(Losses) earnings from discontinued operations, net of tax	—	—	—	—	(2)
Net earnings	$ 719	$ 939	$ 820	$ 823	$ 701
Net earnings attributable to Clorox	$ 710	$ 939	$ 820	$ 823	$ 701
COMMON STOCK					
Net earnings per share attributable to Clorox:					
Continuing operations					
Basic net earnings per share	$ 5.66	$ 7.46	$ 6.42	$ 6.37	$ 5.45
Diluted net earnings per share	5.58	7.36	6.32	6.26	5.35
Dividends declared per share	4.49	4.29	3.94	3.60	3.24

Dollars in millions	As of June 30 2021	2020	2019	2018	2017
OTHER DATA					
Total assets (1)	$ 6,334	$ 6,213	$ 5,116	$ 5,060	$ 4,573
Long-term debt	2,484	2,780	2,287	2,284	1,391

(1) As a result of adopting ASU No. 2016-02, "Leases (ASC 842)," the Company has included operating right-of-use assets within Total assets as of June 30, 2020. See Note 1 for more information.

(2) Fiscal year 2021 net earnings and net earnings attributable to Clorox includes impairment charges recorded within the VMS reporting unit of $329, of which $228, $86, and $15 related to goodwill, certain indefinite-lived trademarks and other assets, respectively.

Exhibit 99.2

THE CLOROX COMPANY
RECONCILIATION OF ECONOMIC PROFIT (UNAUDITED) (1)

Dollars in millions	**FY21**	**FY20**	**FY19**
Earnings before income taxes	**$ 900**	**$ 1,185**	**$ 1,024**
Add back:			
Non-cash U.S. GAAP charges (2)	357	2	2
Interest expense	99	99	97
Less:			
Saudi JV acquisition gain (3)	(82)	—	—
Earnings before income taxes, non-cash U.S. GAAP items and interest expense	**1,274**	**1,286**	**$ 1,123**
Less:			
Income taxes on earnings before income taxes, non-cash U.S. GAAP items and interest expense (4)	264	267	222
Adjusted after tax profit	1,010	1,019	901
Less: After tax profit attributable to noncontrolling interests	9	—	—
Adjusted after tax profit attributable to Clorox	**1,001**	**1,019**	**901**
Average capital employed (5)	3,655	3,478	3,231
Less: Capital charge (6)	329	313	291
Economic profit (1) (Adjusted after tax profit attributable to Clorox less capital charge)	**$ 672**	**$ 706**	**$ 610**

(1) Economic profit (EP) is defined by the Company as earnings before income taxes, excluding non-cash U.S. GAAP items (such as restructuring, intangible asset impairment charges, and other non-cash, non-recurring gains or losses) and interest expense; less income taxes (calculated based on the Company's effective tax rate), less after tax profit attributable to noncontrolling interests, and less a capital charge (calculated as average capital employed multiplied by a cost of capital rate). EP is a key financial metric that the Company's management uses to evaluate business performance and allocate resources, and is a component in determining employee incentive compensation. The Company's management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit.

(2) Fiscal year 2021 includes impairment charges of $329 (after tax $267) of which $228, $86, and $15 related to the goodwill of the VMS reporting unit, certain indefinite-lived trademarks and other assets, respectively, and non-cash charges of $28 ($21 after tax) on investments and related arrangements made with a Professional Products SBU supplier.

(3) On July 9, 2020, the Company increased its investment in each of the two entities comprising its joint venture in the Kingdom of Saudi Arabia (Saudi joint venture). As a result of this transaction, a non-cash nonrecurring net gain was recognized of $82 ($76 after tax) in Other (income) expense, net in the quarter ended September 30, 2020, primarily due to the remeasurement of the carrying value of the company's previously held equity investment to fair value.

(4) The tax rate applied is the effective tax rate before the identified non-cash U.S. GAAP items was 20.7%, 20.8% and 19.8% in fiscal years 2021, 2020, and 2019, respectively. The difference between the fiscal year 2021 effective tax rate on earnings of 20.1% is due to the tax rate impacts of the Professional Products supplier charge, VMS impairment, and Saudi JV acquisition gain of 0.1%, (0.4)%, and 0.9%, respectively.

(5) Total capital employed represents total assets less non-interest bearing liabilities. Adjusted capital employed represents total capital employed adjusted to add back current year after tax non-cash U.S. GAAP items deduct the current year after tax non-cash, non-recurring gain. Average capital employed is the average of adjusted capital employed for the current year and total capital employed for the prior year, based on year-end balances. See below for details of the average capital employed calculation.

(6) Capital charge represents average capital employed multiplied by a cost of capital, which was 9% for all fiscal years presented. The calculation of capital charge includes the impact of rounding numbers.

Dollars in millions	FY21	FY20	FY19
Total assets	$ 6,334	$ 6,213	$ 5,116
Less:			
Accounts payable and accrued liabilities (7)	1,670	1,327	1,033
Current operating lease liabilities	81	64	—
Income taxes payable	—	25	9
Long-term operating lease liabilities	301	278	—
Other liabilities (7)	819	755	774
Deferred income taxes	67	62	50
Non-interest bearing liabilities	2,938	2,511	1,866
Total capital employed	**3,396**	**3,702**	**3,250**
After tax non-cash U.S. GAAP items(2)(3)	212	2	1
Adjusted capital employed	**$ 3,608**	**$ 3,704**	**$ 3,251**
Average capital employed	**$ 3,655**	**$ 3,478**	**$ 3,231**

(7) Accounts payable and accrued liabilities and Other liabilities are adjusted to exclude interest-bearing liabilities.