

**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, 2019

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

(Exact name of registrant as specified in its charter)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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):

Non-accelerated filer			
Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
(Do not check if a smaller reporting company)			

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

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

The aggregate market value of the registrant's common stock held by non-affiliates as of December 31, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$19.7 billion .

As of July 26, 2019, there were 125,742,476 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2019 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days after June 30, 2019 , 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, 2019
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PART I

This Annual Report on Form 10-K for the fiscal year ended June 30, 2019 (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), and such forward-looking statements involve risks 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,” “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 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 when made. 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 2019 net sales of \$6.2 billion and approximately 8,800 employees worldwide as of June 30, 2019. 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, wraps and containers; Kingsford[®] charcoal; Hidden Valley[®] dressings; Brita[®] water-filtration products; Burt’s Bees[®] natural personal care products; RenewLife[®] digestive health products; and Rainbow Light[®], Natural Vitality[™] and NeoCell[®] dietary supplements. The Company also markets industry-leading products and technologies for professional customers, including those sold under the CloroxPro[™] and Clorox Healthcare[®] brand names. Nearly 80% of the Company’s sales is 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.

Since October 2013, the Company’s 2020 strategy has directed the Company to focus on the highest-value opportunities for profitable, sustainable and responsible growth, or Good Growth. The Company’s long-term financial goals included annual net sales growth of 3%-5%, annual earnings from continuing operations before interest and taxes (EBIT) margin expansion of 25-50 basis points and annual free cash flow of 11%-13% of net sales.

In April 2018, the Company acquired 100 percent of Nutranext, a dietary supplements company based in Sunrise, Florida, for \$681 million. Results for Nutranext’s global business are reflected in the Lifestyle reportable segment. The purchase of Nutranext reflects the Company’s strategy to acquire leading brands in economically attractive categories.

In fiscal year 2019, the Company delivered net sales growth of 1% as well as a 1% increase in diluted earnings per share (EPS) from continuing operations in a macroeconomic environment that included high levels of competition in select categories, increasingly competitive retail dynamics, significantly rising logistics and commodity costs and global inflationary pressures, as well as a difficult macroeconomic environment in international markets.

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The Company continued to focus on driving profitable sales growth in its United States (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 2019, including the Brita® Premium Filtering Water Bottle, Burt's Bees® lip oils, Burt's Bees® liquid lipsticks, Clorox® Ultra Clean disinfecting wipes, Clorox Scentiva™ disinfecting mopping cloths, Clorox Healthcare® VersaSure™ cleaner disinfectant wipes, Clorox® disinfecting bio stain & odor remover; Clorox® Ropa Quitamanchas Blanco Supremo; Fresh Step® Clean Paws® cat litter in new unscented and Mediterranean Lavender scent; Glad® 4-gallon bags in Beachside Breeze and Sweet Citron and Lime scents; Hidden Valley® Ranch ready-to-eat dips; Kingsford® 100% natural hardwood briquets; NeoCell® collagen protein peptides: unflavored, pomegranate açai and mandarin orange flavors; NeoCell® Gummy Glow; and Rainbow Light® prenatal Precious Gems™ gummies.

In international markets, the Company remained focused on execution of its Go Lean Strategy, which emphasizes driving the long-term profitability of its international business. The Company's international business continues to play an important strategic role, with No. 1 and No. 2 brands in the majority of categories and countries where it operates.

In May 2019, the Company announced an increase of 10% in its quarterly dividend. In fiscal year 2019, the Company paid \$ 490 million in dividends to stockholders.

Following the May 2018 board of directors' authorization of a stock repurchase program of up to \$2 billion, the Company repurchased 2.3 million shares of its common stock for \$ 328 million under this open-market purchase program in fiscal year 2019.

Finally, in fiscal year 2019, the Company remained committed to corporate responsibility by maintaining strong and transparent environmental, social and governance practices. As part of its 2020 sustainability goals, the Company continued to work to reduce water and energy use, solid waste to landfill and greenhouse gas emissions as well as improve the sustainability of its product portfolio. The Company surpassed nearly all its public goals two years early, and all other areas remained on track. The Company's achievements were acknowledged through multiple external recognitions, including a No. 7 ranking on Barron's Most Sustainable Companies list, No. 25 on Forbes and Just Capital's The Just 100 ranking of America's best corporate citizens, and No. 87 ranking on the annual list of top corporate citizens by Corporate Responsibility magazine. The Company also earned the top rating of 100 percent on the Human Rights Campaign's Corporate Equality Index for the 13th consecutive year, and was listed on the Bloomberg Gender Equality Index among leading companies helping to advance gender equality around the world. In fiscal year 2019, The Clorox Company Foundation, The Burt's Bees Greater Good Foundation and The Clorox Company together awarded approximately \$5 million in cash grants, and the Company donated products with a fair market value of approximately \$6 million, which included providing support following hurricanes Florence and Michael as well as the Midwest U.S. flooding. Additionally, the Company contributed approximately \$1 million to deserving nonprofits and research foundations through cause marketing programs benefiting social and other charitable causes.

In fiscal year 2020, the Company anticipates ongoing challenges that may impact its sales and margins, including continued high levels of competition in select categories, a more competitive retail environment, rising logistics costs, changes in foreign currency exchange rates, and the continuation of a difficult macroeconomic environment in many international markets.

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 aggregated into four reportable segments: Cleaning, Household, Lifestyle and International. The four reportable segments consist of the following:

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, such as bleach products under the Clorox® brand and Clorox 2® stain fighter and color booster; home care products, primarily under the Clorox®, Formula 409®, Liquid-Plumr®, Pine-Sol®, S.O.S® and Tilex® brands; naturally derived products under the Green Works® brand; and professional cleaning, disinfecting, and food service products under the CloroxPro™, Dispatch®, Clorox Healthcare®, Hidden Valley® and KC Masterpiece® brands.
- *Household* consists of charcoal; bags, wraps and containers; cat litter; and digestive health products marketed and sold in the United States. Products within this segment include charcoal products under the Kingsford® and Match Light® brands; bags, wraps and containers under the Glad® brand; cat litter products under the Fresh Step®, Scoop Away® and Ever Clean® brands; and digestive health products under the RenewLife® brand.

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- *Lifestyle* consists of food products, water-filtration systems and filters, natural personal care products, and dietary supplements mainly marketed and sold in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley[®], KC Masterpiece[®], Kingsford[®] and Soy Vay[®] brands; water-filtration systems and filters under the Brita[®] brand; natural personal care products under the Burt's Bees[®] brand; and dietary supplements under the Rainbow Light[®], Natural Vitality[™] and NeoCell[®] brands.
- *International* consists of products sold outside the United States. Products within this segment include laundry; home care; water-filtration systems and filters; digestive health products; charcoal; cat litter products; food products; bags, wraps and containers; natural personal care products; and professional cleaning and disinfecting products primarily under the Clorox[®], Glad[®], PinoLuz[®], Ayudin[®], Limpido[®], Clorinda[®], Poett[®], Mistolin[®], Lestoil[®], Bon Bril[®], Brita[®], Green Works[®], Pine-Sol[®], Agua Jane[®], Chux[®], RenewLife[®], Kingsford[®], Fresh Step[®], Scoop Away[®], Ever Clean[®], KC Masterpiece[®], Hidden Valley[®], Burt's Bees[®], CloroxPro[™] and Clorox Healthcare[®] 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 Professional products SBU) and International, that accounted for 10% or more of consolidated net sales for the fiscal years ended June 30:

	2019	2018	2017
Home Care products	26%	26%	25%
Bags, wraps and containers	16%	18%	18%
Laundry additives	14%	15%	15%
Food products	10%	10%	10%
Charcoal products	9%	10%	11%

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, and to grocery stores and grocery wholesalers primarily through a combination of direct sales teams and a network of brokers. 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. In the U.S. and in the international markets, the Company also sells many of its products through e-commerce.

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, diesel, sodium hypochlorite, corrugated cardboard, soybean oil, jet fuel and other agricultural commodities. Sufficient raw materials were available during fiscal year 2019. Costs for resin and other commodity costs increased in fiscal year 2019, amid volatility and inflation in some key geographic and commodity markets. The Company expects commodity increases to continue in fiscal year 2020. 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 used as raw materials in the manufacturing 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 and "Risk Factors – Volatility and increases in the costs of raw materials, energy, transportation, labor and other necessary supplies or services have negatively impacted, and continue to negatively impact, the Company's net earnings and cash flow" 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 charcoal products occur during the months of March through September each calendar year. The volume and sales of charcoal products may be affected by weather conditions.

Customers

Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 25% , 26% and 26% of consolidated net sales for the fiscal years ended June 30, 2019 , 2018 and 2017 , respectively, 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 2019 , 2018 and 2017 .

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. The Company's products generally compete on the basis of product performance, brand 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.

Research and Development

The Company conducts research and development primarily at its facility located in Pleasanton, CA, which the Company has leased since 2011. The Pleasanton facility consists of approximately 357,000 square feet of leased space, utilizing advanced labs and open work spaces to encourage creativity, collaboration and innovation. In addition to the leased facility in Pleasanton, CA, the Company conducts research and development activities in Buenos Aires, Argentina; Santa Cruz, CA; Willowbrook, IL; Durham, NC; and Cincinnati, OH.

The Company devotes significant resources and attention to product development, process technology and consumer insight research to develop commercially viable consumer-preferred products with innovative and distinctive features. In addition, the Company obtains technologies from third parties for use in its products. Royalties relating to such technologies are reflected in the Company's Cost of products sold. For further information regarding the Company's research and development costs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1.

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.

Number of Persons Employed

As of June 30, 2019 , the Company employed approximately 8,800 people.

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. 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.

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.

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 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 recognition, 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, 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 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. However, alternative retail channels, including e-commerce retailers, hard discounters, subscription services and buying clubs, have become more prevalent and consumer products that are sold through such alternative retail channels are continuing to increase. 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 e-commerce retailers have affected, and may continue to affect, consumer preferences (as consumers increasingly shop online) and market dynamics. Further, consumer preferences continue to evolve due to a number of factors, including fragmentation of the consumer market and changes in consumer demographics, including 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 packaging materials, including plastic packaging, and their environmental impact or sustainability; a growing demand for natural or organic products and ingredients; and evolving consumer concerns or perceptions (whether accurate or inaccurate) regarding the effects of ingredients or substances present in certain consumer products. If we are not successful in continuing to adapt to changing consumer preferences and market dynamics or expanding sales through e-commerce retailers, hard discounters and other alternative retail channels, our business, financial condition and results of operations may be negatively impacted. In addition, the growth of the alternative retail channels that are focused on limiting the number of items they sell and selling predominantly "private label" products may reduce the Company's ability to market and sell its products through such retailers. The retail environment is changing with the growth of e-commerce retailers, hard discounters and other alternative retail channels and this could significantly change the way traditional retailers do business. In addition, these 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 alternative retail channels were to take significant market share away from traditional retailers and/or the Company is not successful in these alternative retail channels, our margins and results of operations may be materially and negatively impacted.

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, sodium hypochlorite, linerboard, soybean oil, solvent, corrugated cardboard and other chemicals and agricultural commodities, and increases in the cost of energy, transportation, labor and other necessary supplies or services have harmed, and may continue to harm, the Company's results of operation. We distribute our products and receive raw materials primarily by rail and truck. Reduced availability of rail or trucking capacity has caused, and could continue to cause, us to incur unanticipated expenses and impair our ability to distribute our products or receive our raw materials in a timely manner, which could disrupt our operations, strain our customer relations and adversely affect our operating profits. In particular, reduced trucking capacity due to shortage of drivers, an enforcement deadline for a federal regulation requiring drivers to electronically log their driving hours and adverse weather conditions, among other reasons, have caused an increase in the cost of transportation for us and many other companies. The Company believes commodity and other cost increases could continue in the future. 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 operation will 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. While the Company seeks to project tradeoffs between price increases and volume, its 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.

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 2019, 85% of the Company's net sales were generated in U.S. markets, including U.S. territories. The Company's ability to achieve sales growth depends on its ability to drive growth through innovation, 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 has recently implemented price increases across a significant portion of its global portfolio, 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. Even when the Company is successful in increasing market share within particular product categories, a decline in the markets for such product categories has had and can continue to have a negative impact on the Company's financial condition and results of operation. In addition, changes to the mix of products 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.

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% , 26% and 26% of consolidated net sales for the fiscal years ended June 30, 2019 , 2018 and 2017 , respectively, 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 2019 , 2018 and 2017 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. 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.

In addition, 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. In addition, some of our customers have experienced, and may experience in the future, declining financial performance, which could affect their ability to pay amounts due to us on a timely basis or at all. 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.

The Company continues to see retailer consolidation both in the U.S. and internationally. This trend 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 special packaging or impose other burdensome requirements on product suppliers. These business demands may relate to inventory practices, transportation and storage, a shift in focus away from branded products toward "private label" or other aspects of the customer-supplier relationship. 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 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.

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 and results of operation and its 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; summarizing and reporting results of operations; complying with financial reporting, regulatory, legal and tax requirements; and implementing other processes involved in managing the business. Furthermore, the Company sells certain of its Burt's Bees[®] natural personal care products, RenewLife[®] digestive health products, and Nutranext dietary supplements and other products directly to consumers online and through websites, mobile apps and connected devices, and the Company offers promotions, rebates, customer loyalty and other programs through which it may receive personal information, and the Company or its vendors could 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.

Although the Company continuously implements enterprise-wide upgrades to its hardware, software and operating systems, the Company continues to utilize various legacy systems, which may be vulnerable to increased risks, including the risk of system failures and disruptions. In addition, some of the legacy systems will need to be upgraded or replaced in the future as such systems cease to be supported by third-party service providers. If such systems are not successfully upgraded or replaced in a timely manner, system outages, disruptions or delays, or other issues may arise. The Company must also successfully integrate the technology systems of acquired companies into the Company's existing and future technology systems, including with third-party service providers and processes. If a new system does not function properly, or is not adequately supported by third-party service providers and processes, it could affect the Company's ability to process and deliver customer orders and process and receive payments for its products. This could adversely impact the Company's results of operations and cash flows.

Although the Company has a broad array of network and information security measures in place and provides employee awareness regarding phishing, malware and other cyber risks, the information technology systems, including those of our customers, vendors, suppliers and other third-party service providers with whom we have contracted, may be vulnerable to computer viruses or other malicious codes, security breaches, unauthorized access attempts, 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, nation-state organizations or social-activist organizations. The Company cannot guarantee that its security efforts will prevent attacks and resulting breaches or breakdowns of the Company's, or its third-party service providers', databases or systems. While the Company has business continuity plans in place, if the systems are damaged or cease to function properly due to any number of causes, including catastrophic events, power outages, security breaches, cyber-attacks or other similar events or as a result of legacy systems, and if the business continuity plans do not effectively resolve such issues on a timely basis, the Company may suffer interruptions in its ability to manage or conduct business, as well as reputational harm and litigation, which may adversely impact the Company's business. In addition, such incidents could result in unauthorized disclosure and misuse of material confidential 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, although the Company has policies and procedures in place governing the secure storage of personal information collected by the Company and its third-party service providers, as well as protection of company information and assets, data breaches or theft of such information assets may occur in the future. The Company is subject to laws 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 goes into effect on January 1, 2020. The changes introduced by the GDPR and the CCPA 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.

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 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.

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 partners is critical to the success of the Company's business. The Company devotes significant time and resources to programs that are consistent with our corporate values and are designed to protect and preserve the Company's reputation and the reputation of its brands and products. These programs include ethics and compliance, the setting of sustainability goals and product safety and quality initiatives. Despite these efforts, negative publicity about the Company, including product safety, quality, efficacy, environmental impacts (including packaging, energy and water use and waste management) and other sustainability or similar issues, whether real or perceived, could occur. In addition, the Company's products could face withdrawal, recall, other quality issues or decreased demand. 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, as well as similar products distributed by other companies, 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, which creates additional exposure for those brands to product safety, quality, sustainability and other concerns. In addition, 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 by consumers or competitors about the Company, its brands, its products, its marketing activities or its employees, 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 network sites or through other media or in other formats. 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.

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 opportunities. However, the Company may not be able to identify and successfully negotiate suitable strategic acquisitions at attractive prices. In addition, all acquisitions and investments entail numerous risks, including risks relating to the Company's ability to:

- successfully integrate acquired companies, 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 controls over financial reporting;
- minimize any potential interruption to the ongoing business of the Company or the acquired company;
- 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;
- achieve distribution expansion related to products, categories and markets from acquisitions; and
- retain key relationships with employees, customers, partners and suppliers of acquired companies.

Acquired companies or operations or joint ventures may not be profitable or may not achieve sales levels and profitability and cash flow expectations. Furthermore, acquisitions or ventures could also result in potentially dilutive issuances of equity securities, the incurrence of debt, the assumption of contingent liabilities, such as those relating to advertising claims and other litigation, an increase in expenses related to certain assets 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 diminish in the future, the Company may be required to record impairment charges related to goodwill, intangible assets or other assets associated with such acquisitions, which could adversely affect its financial condition and results of operations.

The Company has divested and may, in the future, divest certain assets, businesses or brands that do not meet the Company's strategic objectives or growth targets. 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.

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

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. 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.

In particular, because of the Company's extensive international operations, we could be adversely affected by violations of the Foreign Corrupt Practices Act and similar international anti-bribery laws. The Foreign Corrupt Practices Act and similar international 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. While our policies mandate compliance with these anti-bribery laws, we cannot provide assurance that our internal controls policies and procedures will protect us from reckless or 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.

It is expected that federal, state and foreign governments will continue to introduce new and expanded legislation affecting the Company's operations, which may require the Company to increase its resources, capabilities and expertise in such 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." Such regulation could negatively impact the Company's ability to obtain raw materials or could increase its acquisition and compliance costs. Furthermore, additional legislation in the areas of healthcare reform, taxation of domestic and foreign profits, sustainability of packaging, including plastics, executive compensation and corporate governance, could also increase the Company's costs. In addition, any future government shutdowns may result in delays in the acceptance, review and approval of products or claims by the EPA or other governmental agencies, or other required governmental approvals.

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 regarding privacy, data protection and data security, including those related to the collection, storage, use, transmission and protection of personal information and other consumer, customer, vendor or employee data. There is significant uncertainty with respect to compliance with such privacy and data protection laws and regulations, including with respect to the GDPR and the CCPA, because they are continuously developing and evolving. 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. The Company's efforts to comply with privacy and data protection laws and regulations may impose significant costs and challenges that are likely to increase over time, which could have a material 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 civil remedies, 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. As the Company expands its natural personal care and healthcare businesses such as through Burt's Bees[®], Clorox Healthcare[®] and Caltech Industries, an increasing number of its products have and will become subject to regulations and laws relating to drugs and medical devices. In addition, as a result of the Company's acquisition of RenewLife and Nutranext, it 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 effect on the Company's financial condition and results of operations.

Uncertain worldwide, regional and local economic and financial market conditions may negatively impact the Company and consumers of its products, which would negatively affect the Company's financial condition, results of operations and cash flow.

Although the Company continues to devote significant resources to support its brands, uncertain economic conditions have negatively affected, and may continue to negatively affect, consumer demand for the Company's products. Consumers may also be sensitive to economic uncertainty or unfavorable economic conditions and reduce discretionary spending, which may lead to reduced net sales or cause a shift in the Company's product mix from higher-margin to lower-margin products. Consumers may increase purchases of lower-priced or "private label" products, and the Company's competitors may increase levels of advertising and promotional activity for lower-priced products as they seek to maintain sales volumes during uncertain economic times, which may negatively impact the Company's net sales.

Global markets continued to face threats and uncertainty during fiscal year 2019. Future changes to U.S. or foreign tax and trade policies, imposition of new or increased tariffs, other trade restrictions or other government actions, (including any government shutdown) and foreign currency fluctuations, including devaluations, may lead to continuation of such threats and uncertainty. Uncertain economic and financial market conditions may also adversely affect the financial condition of the Company's customers, suppliers and other business partners. Any significant decrease in customers' purchases of the Company's products or inability of the Company to collect accounts receivable resulting from an adverse impact of the global markets on customers' financial condition 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, including exposure to foreign currency fluctuations and the imposition of new or additional tariffs.

In fiscal year 2019, 15% of the Company's net sales were generated in international markets. The Company faces and will continue to face substantial risks associated with its foreign operations, including the following:

- economic or political instability;
- price controls and related government actions;
- 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;
- 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;
- restrictions on or costs related to the repatriation of foreign profits to the U.S.;
- the imposition of tariffs, trade restrictions, price, profit or other government controls, labor laws, travel or immigration restrictions, 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;
- difficulties in hiring and retaining qualified employees;
- civil unrest, work stoppages and labor disputes;
- employment litigation related to employees, contractors and suppliers, particularly in Argentina;

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- difficulties in obtaining or unavailability of raw materials;
- potential loss of distribution channels as a result of retailer consolidation;
- increased credit risk of customers, suppliers and distributors;
- 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;
- difficulties in enforcing intellectual property and contractual rights;
- lack of well-established or reliable, and impartial legal systems in certain countries where the Company operates;
- 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;
- the possibility of nationalization, expropriation of assets or other similar government actions; and
- risks related to natural disasters, terrorism and other events beyond the Company's control.

In addition, the ongoing negotiations surrounding the United Kingdom's exit from the European Union ("Brexit") have yet to provide clarity on what the outcome will be for the United Kingdom or Europe. Changes related to Brexit could subject the Company to heightened risks in that region, including disruptions to trade and free movement of goods, services and people to and from the United Kingdom, disruptions to our workforce or the workforce of our suppliers or business partners, increased foreign exchange volatility with respect to the British pound and additional legal, political and economic uncertainty. 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.

The Company is also exposed to foreign currency exchange rate risks with respect to its net sales, net earnings and cash flow driven by movements of the U.S. dollar relative to other currencies. A weakening of the currencies in which sales are generated relative to the currencies in which costs are denominated would decrease net earnings and cash flow. Although the Company uses instruments to hedge certain foreign currency risks, these hedges only offset a small portion of the Company's exposure to foreign currency fluctuations, including devaluations, therefore, the Company's reported net earnings may be negatively affected by changes in foreign exchange rates.

Furthermore, the recent imposition of tariffs and/or increase in tariffs on various products by the U.S. and other countries have introduced greater uncertainty with respect to trade policies and government regulations affecting trade between the U.S. and other countries, and new and/or increased tariffs have subjected, and may in the future subject, the Company to additional costs and expenditure of resources. Major developments in trade relations, including the imposition of new or increased tariffs by the U.S. and/or other countries, and any emerging nationalist trends in specific countries could alter the trade environment and consumer purchasing behavior which, in turn, could have a material effect on the Company's financial condition and results of operations.

Inflation is another risk associated with the Company's international operations. For example, effective July 1, 2018, Argentina was designated as a highly inflationary economy, as it has experienced cumulative inflation of approximately 100 percent or more over a three-year period. Gains and losses resulting from the remeasurement of non-U.S. dollar monetary assets and liabilities of Argentina were recorded in net earnings for fiscal year 2019. Other countries in which the Company operates may also become highly inflationary or such countries' currencies may be devalued, or both, which may negatively impact the Company's business, financial condition and results of operations.

For further information regarding Argentina, including the recent 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.

The Company may not successfully achieve its innovation goals, or develop and 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 quickly innovate in order to adapt its products to meet changing consumer demands is essential, especially in light of e-commerce significantly reducing the barriers for even small competitors to quickly introduce new brands and products directly to consumers. 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. The development and introduction of new products require substantial and effective research and development and demand creation expenditures, which the Company may be unable to recoup if such new products do not gain widespread market acceptance. In addition, effective and integrated systems are required for the Company to gather and use consumer data and information to successfully market its products. New product development and marketing efforts, including efforts to enter markets or product categories in which the Company has limited or no prior experience, have 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 or new or expanded adjacencies 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.

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 claims could result in negative publicity that could harm the Company's reputation, sales and results of operation and the reputation of the Company's brands. Furthermore, acquisitions or ventures could also result in the assumption of contingent liabilities, including litigation, which could adversely affect the Company's financial condition and results of operations. In addition, if any of the Company's products is found to be defective, the Company may recall it, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, insurance recovery for product liability claims may be subject to a retention, 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, including 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. The Company has been, and may in the future be, subject to additional claims, proceedings and actions as it has entered, and as it expands, into 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. It is not possible to predict the final resolution of the litigation, investigations, disputes or proceedings with which the Company currently is or may in the future become involved. 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.

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 or the cost of making these changes, the Company may not realize all anticipated benefits, which could adversely affect its financial condition and results of operations or its long-term strategies, which the Company updates from time to time. 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, and the Company may fail to achieve one or more of the financial goals for one or more of the relevant fiscal years. 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 impact 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 costs 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.

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, wraps and containers 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, 2019, 2018 and 2017, the estimated fair value of P&G's interest was \$619 million, \$631 million and \$458 million, respectively, of which \$370 million, \$341 million and \$317 million, respectively, has been recognized by the Company and is reflected in Other liabilities in the Company's Consolidated Balance Sheet. 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 \$161 million from June 30, 2017 to June 30, 2019, 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.

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

The Company's success depends, in part, 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 of one or more of the Company's key employees could disrupt its business. The Company's success also depends, in part, on its continuing ability to identify, hire, develop and retain other highly qualified personnel. Competition for these employees can be intense, especially in the San Francisco Bay Area, where there is high wage inflation and the Company's headquarters and largest research facility are located. In addition, the Company's employees may be targeted and recruited by other companies. As the Company expands into new categories or markets, including more regulated businesses, it will also require personnel with relevant training and experience in such categories or markets. The Company may not be able to attract, or retain qualified personnel in the future, and its failure to do so or the compensation costs of doing so could adversely affect the Company.

Reliance on a limited base of suppliers may result in disruptions to the Company's business.

The Company relies on a limited number of suppliers for certain commodities and raw material inputs, including sole-source and single-source suppliers for certain of its raw materials, packaging, product components, finished products and other necessary supplies. New suppliers have to be qualified under Company standards and may also have to be qualified under governmental and industry standards, and any relevant standards of the Company's customers, which may require additional investment and time. The Company could experience disruptions in production and other supply chain issues, which could result in out-of-stock conditions, and its results of operations and relationships with customers could be adversely affected if the Company is unable to qualify any needed new suppliers or maintain supplier arrangements and relationships, if it 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 or experiences financial distress, or if any environmental, economic or other outside factors impact its operations.

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. The Company could also become subject to additional environmental liabilities in the future that could result in a material adverse effect on its financial condition and results of operations.

The Company had a recorded liability of \$27 million and \$28 million as of June 30, 2019 and 2018, respectively, for its share of aggregate future remediation costs related to certain environmental matters, including response actions at various locations. One matter, which accounted for \$14 million of the recorded liability as of June 30, 2019 and 2018, relates to environmental costs associated with one of the Company's former operations at a site located in Alameda County, California. Another matter, in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounted for \$11 million and \$12 million of the recorded liability as of June 30, 2019 and 2018, respectively. 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, 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.

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.

Increased focus by governmental and non-governmental organizations, customers, consumers and investors on sustainability issues, including those related to climate change, may have an adverse effect on our business, financial condition and results of operations and damage our reputation.

As climate change, land use, water use, deforestation, recyclability or recoverability of packaging, including single-use and other plastic packaging, and other sustainability concerns become more prevalent, governmental and non-governmental organizations, customers, consumers and investors are increasingly focusing on these issues. In particular, changing consumer preferences may result in increased customer and consumer concerns and demands regarding packaging materials, including plastic packaging, and their environmental impact of 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. This increased focus on environmental issues and sustainability may result in new or increased regulations and customer and investor demands that could cause us to incur additional costs or to make changes to our operations to comply with any such regulations and demands.

Concern over climate change may result in new or increased legal and regulatory requirements to reduce or mitigate the effects of climate change on the environment. Increased costs of energy or compliance with emissions standards due to increased legal or regulatory requirements may cause disruptions in or increased costs associated with manufacturing our products. In addition, any failure to achieve our goals with respect to reducing our impact on the environment or 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 climate change or other sustainability concerns could adversely affect our business and reputation.

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

Operations at facilities 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, disease outbreaks or pandemics, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters, 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. 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 in injury to people, damages to the natural environment, temporary loss of access to critical data, unauthorized disclosure of sensitive or confidential information, delays in shipments of products to customers, disruptions in the Company's supply chain or suspension of operations. Any such disruption could have a material adverse effect on the Company's business, financial condition and results of operations.

Failure to maximize, successfully assert or successfully defend the Company's intellectual property rights could impact its competitiveness.

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. The Company cannot be certain that these intellectual property rights will be maximized or that they can be successfully asserted or defended. 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. 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.

If the Company is found to have infringed the intellectual property rights of others or cannot obtain necessary intellectual property rights from others, its competitiveness could be negatively impacted.

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, claims of infringement could adversely affect the Company's business. The Company could incur material legal costs and related expenses to defend against such claims and the Company could incur significant costs associated with discontinuing to use, provide or manufacture certain products, services or trademarks even if it is ultimately found not to have infringed such rights.

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 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, volume and product mix, foreign exchange rates and volatility, 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. While the Company's financial projections are based on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances and at the time they are made, the Company's actual results may differ materially from its financial projections. 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.

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, 2019, the Company had over \$2 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 incur substantial additional indebtedness in the future to fund acquisitions, repurchase stock or fund other activities for general business purposes. If new debt is added to the current debt levels, the related risks that the Company now faces could limit its ability to access the debt capital markets or other forms of financing and result in increased borrowing costs. 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, 2019, the Company had been assigned investment-grade ratings with both Standard & Poor's and Moody's. However, if the Company's credit rating were to fall below investment grade, the counterparties to the derivative instruments in net liability positions could request full collateralization.

Although 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 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. The Company is subject to compliance with the Company's existing debt covenants. As of June 30, 2019, the Company could add approximately \$4 billion in incremental debt and remain in compliance with its debt covenants, although the actual amount that the Company may be able to borrow in the future may exceed this amount. Failure by the Company to comply with the financial and other restrictive covenants in its debt documents could result in an event of default that, if not cured or waived, could have a material adverse effect on the Company.

The Company’s judgments regarding the accounting for tax positions, the resolution of tax disputes and the effects of the Tax Act on our business and our company could be materially different from our current estimates or expectations, all of which could impact the Company’s net earnings and cash flow.

Significant judgment is required to determine the Company’s effective tax rate and evaluate its tax positions. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement criteria prescribed by applicable accounting standards. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Unfavorable resolution of any tax matter in any of the jurisdictions in which we operate could increase the effective tax rate, which would have an adverse effect on the Company’s financial condition and results of operations. Any resolution of a tax issue may require the use of cash in the year of resolution.

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, such as the Tax Act which was signed into law in December 2017, could create uncertainty and have a material impact on the Company’s results of operations. The Tax Act, among other things, significantly changed corporate taxation, including by reducing the U.S. corporation statutory income tax rate to 21% from 35%, imposing a one-time taxation of accumulated foreign earnings regardless of whether they are repatriated, placing limitations on the deduction for interest expense, creating immediate tax deductions until January 1, 2023 for certain new investments instead of deductions for depreciation expense over time, disallowing deductions for certain performance-based compensation, eliminating the deduction for certain domestic production activities and migrating from a “worldwide” system of taxation to a modified territorial system. While our accounting for the recorded impact of the Tax Act is deemed to be complete, these amounts are based on prevailing regulations and currently available information, and any additional guidance issued by the Internal Revenue Service could impact our recorded amounts in future periods.

For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Notes to Consolidated Financial Statements in Exhibit 99.1.

The Company’s continued growth and expansion, reliance on third-party service providers and implementation of new accounting standards could adversely affect its internal control over financial reporting, which could harm its business, financial condition and results of operations.

Clorox management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with generally accepted accounting principles in the U.S. Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance that a misstatement of the Company’s financial statements would be prevented or detected. The Company’s continuing growth and expansion in domestic and globally dispersed markets, such as its acquisition of Nutranext and RenewLife, may place significant additional pressure on the Company’s system of internal control over financial reporting and require the Company to update its internal control over financial reporting to integrate such acquisitions. Moreover, the Company engages the services of third parties to assist with business operations and financial reporting processes, which injects additional monitoring obligations and risk into the system of internal control. When the Company is required to comply with new or revised accounting standards, it must make any appropriate changes to its internal control over financial reporting to fully implement the standards, which may require significant effort and judgment. Any failure to maintain an effective system of internal control over financial reporting could limit the Company’s ability to report its results of operations accurately and on a timely basis, or to detect and prevent fraud and could expose it to regulatory enforcement action and stockholder claims, which could have a material adverse effect on the Company’s business, financial condition and results of operations.

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 may 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.

The Company is subject to risks related to its discontinued operations in Venezuela.

In September 2014, the Company's Venezuela subsidiary discontinued its operations and the Company reported that the Venezuelan government had announced that it had occupied the production facilities of the Company's Venezuela subsidiary. The Company believes that the Venezuelan government resumed production of bleach and other cleaning products at the Venezuela plants. The Venezuelan government's actions raise grave concerns, as the production of cleaning products, in particular bleach, is a highly specialized and technical process. The Company has advised repeatedly that it and its affiliates cannot be responsible for the safety of any workers and the surrounding communities or for the safety, quality or effectiveness of any product that may be produced under the Venezuelan government's takeover or any use of the names and trademarks of the Company and its affiliates. Nevertheless, the Company may face liabilities, costs, or other harm in connection with the operations of the Company's former Venezuelan subsidiary.

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.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, year first elected and current titles of each of the executive officers of the Company as of August 13, 2019, are set forth below:

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Name	Age	Year First Elected Executive Officer	Title
Benno Dorer	55	2009	Chair and Chief Executive Officer
Laura Stein	57	2005	Executive Vice President – General Counsel and Corporate Affairs
Eric Reynolds	49	2015	Executive Vice President – Household and Lifestyle
Linda Rendle	41	2016	Executive Vice President – Cleaning, International, Strategy and Operations
Kirsten Marriner	46	2016	Executive Vice President – Chief People Officer
Kevin B. Jacobsen	53	2018	Executive Vice President – Chief Financial Officer
William S. Bailey	53	2016	Senior Vice President – Corporate and Business Development
Diego J. Barral	49	2018	Senior Vice President – General Manager, International Division
Michael R. Costello	53	2011	Senior Vice President – General Manager, Nutranext and RenewLife
Troy Datcher	51	2019	Senior Vice President – Chief Customer Officer
Denise Garner	56	2015	Senior Vice President – Chief Innovation Officer
Stacey Grier	56	2019	Senior Vice President – Chief Marketing Officer
John J. McNulty	63	2018	Senior Vice President – Chief Information Officer
Andrew J. Mowery	53	2018	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.

Benno Dorer is the chair and chief executive officer of the Company, a position he has held since August 2016. Prior to this role, he served as chief executive officer of the Company from November 2014 until August 2016. From January 2013 to November 2014, he served as executive vice president – chief operating officer, cleaning, international and corporate strategy. From March 2011 to December 2012, he served as senior vice president – cleaning division and Canada. He served as senior vice president – general manager, cleaning division from June 2009 to March 2011. Mr. Dorer joined the Company in 2005. Prior to joining the Company, he served in various roles at The Procter & Gamble Company.

Laura Stein is the executive vice president – general counsel and corporate affairs of the Company, having served as executive vice president – general counsel since February 2015, and having taken on responsibility for corporate affairs in February 2016. She served as senior vice president – general counsel from January 2005 to February 2015. From January 2000 through January 2005, Ms. Stein was senior vice president – general counsel for H.J. Heinz Company. Immediately prior to that, she spent eight years working for the Company, lastly as its assistant general counsel – regulatory affairs.

Eric Reynolds is the executive vice president - household and lifestyle of the Company, a position he has held since July 2019. Prior to this role, 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.

Linda Rendle is the executive vice president – cleaning, international, strategy and operations of the Company, a position she has held since July 2019. Prior to this role, she served as executive vice president – strategy and operations from January 2019 to July 2019. 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.

Kirsten Marriner is the executive vice president – chief people officer of the Company, having served as executive vice president since 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.

Kevin B. Jacobsen is the executive vice president – chief financial officer of the Company, having served as executive vice president 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.

William S. Bailey is the senior vice president – corporate and business development of the Company, a position he has held since January 2016. Prior to joining the Company, he served as vice president – corporate and business development at TripAdvisor, from June 2012 to January 2016. He served as vice president – corporate development at Ancestry.com, from June 2011 to June 2012. From August 2009 to June 2011, he served as vice president – corporate and business development at Check Point Software Technologies Inc.

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.

Michael R. Costello is the senior vice president – general manager, Nutranext and RenewLife, having taken on responsibility for Nutranext since April 2018 and RenewLife since May 2018. Prior to this role, he served as senior vice president – international from September 2013 to April 2018. He served as vice president – general manager, international, from March 2011 to August 2013. From July 2009 through March 2011, he served as vice president – general manager, Latin America and Europe. Mr. Costello joined the Company in 1988.

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 officer of the Company, a position she has held since January 2019. 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.

John J. McNulty is the senior vice president and chief information officer of the Company, a position he has held since July 2018. Prior to this role, he served as vice president – global support and delivery from January 2018 to June 2018. From July 2016 to January 2018, he was vice president – performance management. Prior to joining the Company, he served as a partner at Nathanson and Company from September 2000 to July 2016. Mr. McNulty joined the Company in 2016.

Andrew J. Mowery is the senior vice president – chief product supply officer of the Company, a position he has held since December 2017. Prior to this role, he served as vice president – product supply operations from February 2014 to November 2017. He served as vice president – global strategic sourcing & supply chain strategy from April 2011 to February 2014. Mr. Mowery joined the Company as vice president – global strategic sourcing in April 2009. Prior to joining the Company, he worked in a variety of supply chain roles at Johnson & Johnson from 1988 to 2009.

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 26, 2019, was 10,057 based on information provided by the Company's transfer agent.

Dividends

The amount of quarterly dividends declared with respect to the Company's common stock during the past two fiscal years appears in the Notes to Consolidated Financial Statements in Exhibit 99.1, incorporated herein by reference.

Equity Compensation Plan Information

See Part III, Item 12 hereof.

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 (the 2018 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 2019.

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, 2019	674,795	\$ 154.57	674,795	\$1,808 million
May 1 to 31, 2019	1,471,875	148.34	1,471,875	\$1,593 million
June 1 to 30, 2019	185,380	152.46	185,380	\$1,578 million
	2,332,050	\$ 150.47	2,332,050	

- (1) Of the shares purchased in April 2019, 549,078 shares were acquired pursuant to the Company's Evergreen Program and 125,717 shares were acquired pursuant to the Company's 2018 Open-Market Program. Of the shares purchased in May 2019, 1,445,787 shares were acquired pursuant to the Company's 2018 Open-Market Program and 26,088 shares were acquired pursuant to the Company's Evergreen Program. Of the shares purchased in June 2019, 102,956 shares were acquired pursuant to the Company's 2018 Open-Market Program and 82,424 shares were acquired pursuant to the Company's Evergreen 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, 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, 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, incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

These statements and data appear in Exhibit 99.1, 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, 2019. 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, 2019, 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

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K, information regarding the executive officers of the registrant is reported 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, 2019 , 2018 and 2017 .

Consolidated Statements of Comprehensive Income for the fiscal years ended June 30, 2019 , 2018 and 2017 .

Consolidated Balance Sheets as of June 30, 2019 and 2018 .

Consolidated Statements of Stockholders' Equity for the fiscal years ended June 30, 2019 , 2018 and 2017 .

Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2019 , 2018 and 2017 .

Notes to Consolidated Financial Statements.

(b) Exhibits:

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		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

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
4.10	Description of Capital Stock of The Clorox Company.				
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 September 17, 2013.	10-K	001-07151	10.8	August 25, 2014
10.5*	The Clorox Company 2005 Stock Incentive Plan, amended and restated as of November 14, 2012.	10-Q	001-07151	10.1	February 5, 2013
10.6*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2016.	10-Q	001-07151	10.1	November 2, 2016
10.7*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2017.	10-Q	001-07151	10.2	November 1, 2017
10.8*	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
10.9*	Form of Restricted Stock Unit Award Agreement under the Company's 2005 Stock Incentive Plan.	10-Q	001-07151	10.1	October 31, 2018
10.10*	Form of Nonqualified Stock Option Award Agreement under the Company's 2005 Stock Incentive Plan.	10-Q	001-07151	10.3	November 1, 2017
10.11*	The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan, effective January 1, 2008.	10-K	001-07151	10.18	August 19, 2008
10.12*	Amendment No. 1 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.	10-K	001-07151	10.18	August 26, 2011
10.13*	Amendment No. 2 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.	10-K	001-07151	10.13	August 16, 2016
10.14*	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
10.15*	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
10.16*	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
10.17*	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
10.18*	The Clorox Company Executive Incentive Compensation Plan, amended and restated as of February 7, 2008.	10-Q	001-07151	10.58	May 2, 2008
10.19*	Form of Indemnification Agreement.	10-Q	001-07151	10.27	May 4, 2010
10.20*	First Amended and Restated Executive Change in Control Severance Plan, effective November 20, 2014.	10-Q	001-07151	10.1	February 5, 2015
10.21*	Severance Plan for Clorox Executive Committee Members, amended and restated effective November 20, 2014.	10-Q	001-07151	10.2	February 5, 2015
10.22*	The Clorox Company Executive Retirement Plan, effective as of July 1, 2011.	10-Q	001-07151	10.27	May 4, 2011
10.23*	Amendment No. 1 to The Clorox Company Executive Retirement Plan.	10-K	001-07151	10.22	August 16, 2016
10.24*	The Clorox Company 2011 Nonqualified Deferred Compensation Plan, effective as of July 1, 2011.	10-K	001-07151	10.29	August 26, 2011

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.25*	Amendment No. 1 to The Clorox Company 2011 Nonqualified Deferred Compensation Plan.	10-K	001-07151	10.24	August 16, 2016
10.26*	The Clorox Company Director Equity Award Policy, effective as of November 15, 2017.	10-K	001-07151	10.26	August 14, 2018
10.27	Credit Agreement dated as of February 8, 2017, 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 Citibank, N.A., as Servicing Agent.	8-K	001-07151	10.1	February 10, 2017
10.28	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
10.29	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
10.30	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
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.				
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.				

(*) 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 13, 2019

By: /s/ Benno Dorer
 Benno Dorer
 Chair and 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
<u>/s/ A. Banse</u> A. Banse	Director	August 13, 2019
<u>/s/ R. H. Carmona</u> R. H. Carmona	Director	August 13, 2019
<u>/s/ S. C. Fleischer</u> S. C. Fleischer	Director	August 13, 2019
<u>/s/ E. Lee</u> E. Lee	Director	August 13, 2019
<u>/s/ A. D. D. Mackay</u> A. D. D. Mackay	Director	August 13, 2019
<u>/s/ R. W. Matschullat</u> R. W. Matschullat	Director	August 13, 2019
<u>/s/ M. J. Shattock</u> M. J. Shattock	Director	August 13, 2019
<u>/s/ P. Thomas-Graham</u> P. Thomas-Graham	Director	August 13, 2019
<u>/s/ C. M. Ticknor</u> C. M. Ticknor	Director	August 13, 2019
<u>/s/ R. J. Weiner</u> R. J. Weiner	Director	August 13, 2019
<u>/s/ C. J. Williams</u> C. J. Williams	Director	August 13, 2019
<u>/s/ B. Dorer</u> B. Dorer	Chair and Chief Executive Officer (Principal Executive Officer)	August 13, 2019
<u>/s/ K. B. Jacobsen</u> K. B. Jacobsen	Executive Vice President – Chief Financial Officer (Principal Financial Officer)	August 13, 2019
<u>/s/ J. R. Baker</u> J. R. Baker	Vice President – Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	August 13, 2019

The Company is authorized to issue up to 750,000,000 shares of common stock, \$1.00 par value per share (the “Common Stock”). Other than as required by law or the Company’s Amended and Restated Bylaws, holders of shares of Common Stock are entitled to one vote per share on all matters to be voted on by stockholders. Other than as described herein, all matters submitted for a stockholder vote require the affirmative vote of a majority of the voting power present in person or represented by proxy and entitled to vote on the subject matter. Director nominations in uncontested elections require the approval of the majority of votes cast, and director nominees elected in a contested election shall be determined by a plurality of votes cast. Stockholders do not have cumulative voting rights in elections of directors. In addition, Article 6 of the Company’s Restated Certificate of Incorporation requires the affirmative vote of at least eighty percent (80%) of the voting power of the then outstanding shares of stock of the Company entitled to vote regularly in the election of directors (the “Voting Stock”) voting as a single class to approve certain “business combinations,” including mergers, sales or transfers of assets, and other corporate actions, involving any “interested stockholder” (as defined in the Company’s Restated Certificate of Incorporation) or an affiliate of an interested stockholder, unless a majority of disinterested directors have approved the action and certain other conditions are met. Furthermore, the provisions of Article 6 may not be amended or repealed in any respect, unless such action is approved by the affirmative vote of the holders of not less than eighty percent (80%) of the then outstanding Voting Stock, voting as a single class. The Company’s Restated Certificate of Incorporation and Amended and Restated Bylaws also contain additional anti-takeover protections, including, among other things, no ability for stockholders to act by written consent, no opt-out under Section 203 of the Delaware General Corporation Law and advance notice provisions for nominations of directors and other proposals of business. The holders of Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company’s Board of Directors out of funds legally available therefor. Upon liquidation or dissolution of the Company, the holders of Common Stock are entitled to share ratably in the distribution of assets, subject to the rights of the holders of Preferred Stock (as defined below), if any. Holders of Common Stock have no preemptive rights, subscription rights or conversion rights. There are no redemption or sinking fund provisions with respect to the Common Stock.

In addition, the Company is authorized to issue 5,000,000 shares of preferred stock, \$1.00 par value per share (the “Preferred Stock”), in one or more series as determined by the Board of Directors. No shares of Preferred Stock are currently issued or outstanding. The Board of Directors may, without further action by the stockholders of the Company, issue a series of Preferred Stock and fix the rights and preferences of those shares, including the dividend rights, dividend rates, conversion rights, exchange rights, voting rights, terms of redemption, redemption price or prices, liquidation preferences, the number of shares constituting any series and the designation of such series. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock issued by the Company in the future. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock.

The foregoing description of our capital stock is a summary and is subject to the provisions of our Restated Certificate of Incorporation, our Amended and Restated Bylaws, and the relevant provisions of the laws of the State of Delaware.

Name of Company	Jurisdiction of Incorporation
1221 Olux, LLC	Delaware
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. Ecuacolorox	Ecuador
Clorox Diamond Production Company	Delaware
Clorox Dominicana S.R.L.	Dominican Republic
Clorox (Europe) Financing S.a.r.l.	Luxembourg
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 (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.	Saudi Arabia
National Cleaning Products Company Limited	Saudi Arabia
Nature's Products, Inc.	Florida
Nutranext, LLC	Delaware
Nutranext Business, LLC	Delaware
Nutranext eHealth 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
Rainbow Light Real Estate Holding Company, 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

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 13, 2019 , 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, 2019 .

/s/ Ernst & Young LLP

San Francisco, CA
August 13, 2019

CERTIFICATION

I, Benno Dorer, 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 13, 2019

/s/ Benno Dorer

Benno Dorer

Chair and Chief Executive Officer

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 13, 2019

/s/ Kevin B. Jacobsen

Kevin B. Jacobsen

Executive Vice President - Chief Financial Officer

CERTIFICATION

In connection with the periodic report of The Clorox Company (the “Company”) on Form 10-K for the period ended June 30, 2019 , as filed with the Securities and Exchange Commission (the “Report”), we, Benno Dorer, Chair and 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 13, 2019

/s/ Benno Dorer

Benno Dorer
Chair and Chief Executive Officer

/s/ Kevin B. Jacobsen

Kevin B. Jacobsen
Executive Vice President – Chief Financial Officer

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

The Clorox Company

(Dollars in millions, except share and 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 2019 net sales of \$ 6,214 and approximately 8,800 employees worldwide as of June 30, 2019 . 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, wraps and containers, Kingsford[®] charcoal, Hidden Valley[®] dressings, Brita[®] water-filtration products, Burt's Bees[®] natural personal care products, RenewLife[®] digestive health products, and Rainbow Light[®] , Natural Vitality[™] and NeoCell[®] dietary supplements. The Company also markets industry-leading products and technologies for professional customers, including those sold under the CloroxPro[™] and the 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 aggregated into the following four reportable segments based on the economics and nature of the products sold:

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, such as bleach products under the Clorox[®] brand and Clorox 2[®] stain fighter and color booster; home care products, primarily under the Clorox[®] , Formula 409[®] , Liquid-Plumr[®] , Pine-Sol[®] , S.O.S[®] and Tilex[®] brands; naturally derived products under the Green Works[®] brand; and professional cleaning, disinfecting and food service products under the CloroxPro[™] , Dispatch[®] , Clorox Healthcare[®] , Hidden Valley[®] and KC Masterpiece[®] brands.
- *Household* consists of charcoal, bags, wraps and containers, cat litter, and digestive health products marketed and sold in the United States. Products within this segment include charcoal products under the Kingsford[®] and Match Light[®] brands; bags, wraps and containers under the Glad[®] brand; cat litter products under the Fresh Step[®] , Scoop Away[®] and Ever Clean[®] brands; and digestive health products under the RenewLife[®] brand.
- *Lifestyle* consists of food products, water-filtration systems and filters, natural personal care products, and dietary supplements marketed and sold mainly in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley[®] , KC Masterpiece[®] , Kingsford[®] and Soy Vay[®] brands; water-filtration systems and filters under the Brita[®] brand; natural personal care products under the Burt's Bees[®] brand; and dietary supplements under the Rainbow Light[®] , Natural Vitality[™] and NeoCell[®] brands.

- *International* consists of products sold outside the United States. Products within this segment include laundry; home care; water-filtration systems and filters; digestive health products; charcoal; cat litter products; food products; bags, wraps and containers; natural personal care products; and professional cleaning and disinfecting products primarily under the Clorox[®], Glad[®], PinoLuz[®], Ayudin[®], Limpido[®], Clorinda[®], Poett[®], Mistolin[®], Lestoil[®], Bon Bril[®], Brita[®], Green Works[®], Pine-Sol[®], Agua Jane[®], Chux[®], RenewLife[®], Kingsford[®], Fresh Step[®], Scoop Away[®], Ever Clean[®], KC Masterpiece[®], Hidden Valley[®], Burt's Bees[®], CloroxPro[™], and Clorox Healthcare[®] 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 continuing operations less capital expenditures.
- *Earnings from continuing operations before interest and taxes (EBIT) margin (the ratio of EBIT to net sales)*
- *Earnings from continuing operations before interest, taxes, depreciation and amortization and non-cash asset impairment charges (Consolidated EBITDA, as defined in our Credit Agreement) to interest expense ratio (Interest Coverage ratio)*
- *Economic profit (EP)* is calculated as earnings from continuing operations before income taxes, excluding non-cash U.S. GAAP restructuring and intangible asset impairment charges, and interest expense; less income taxes (calculated utilizing the Company's effective tax rate), and less a capital charge (calculated as average capital employed multiplied by a cost of capital percentage rate).
- *Organic sales growth* 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 2019 Financial Highlights

A detailed discussion of strategic goals, key initiatives and results of operations is included below. Key fiscal year 2019 financial results are summarized as follows:

- The Company's fiscal year 2019 net sales increased by 1% to \$ 6,214 in fiscal year 2019 from \$6,124 in fiscal year 2018 , reflecting 3 points of net benefit from the Nutranext acquisition and Aplicare divestiture, offset by the negative 3-point impact from unfavorable foreign currency exchange rates. Fiscal-year 2019 sales also included the benefit of pricing net of trade spending.
- Gross margin increased by 20 basis points to 43.9% in fiscal year 2019 from 43.7% in fiscal year 2018 , reflecting the benefit of price increases and cost savings, partially offset by higher manufacturing and logistics costs and unfavorable commodity costs.
- The Company reported earnings from continuing operations of \$820 in fiscal year 2019 , compared to \$823 in fiscal year 2018 . The Company reported earnings from continuing operations before income taxes of \$1,024 in fiscal year 2019 , compared to \$1,054 in fiscal year 2018 .
- The Company delivered diluted net earnings per share (EPS) from continuing operations in fiscal year 2019 of \$6.32 , an increase of approximately 1% , or \$0.06, from fiscal year 2018 diluted net EPS of \$6.26 . The increase was mainly driven by a lower effective tax rate, primarily from the benefit of The Tax Cuts and Jobs Act (the Tax Act), and a higher gross margin, partially offset by increased advertising spending.
- EP decreased by 2% to \$610 in fiscal year 2019 compared to \$624 in fiscal year 2018 (refer to the reconciliation of EP to earnings from continuing operations before income taxes in Exhibit 99.2).
- The Company's net cash provided by continuing operations was \$992 in fiscal year 2019 , compared to \$976 in fiscal year 2018 , reflecting improvements in working capital and current-year benefits from the Tax Act, partially offset by a higher contribution to employee retirement income plans. Free cash flow was \$786 or 12.6% of net sales in fiscal year 2019 , compared to \$782 or 12.8% of net sales in fiscal year 2018 (refer to the reconciliation of net cash provided by continuing operations to free cash flow in “*Financial Position and Liquidity - Investing - Free Cash Flow*”).

- The Company paid \$490 in cash dividends to stockholders in fiscal year 2019, compared to \$450 in cash dividends in fiscal year 2018. In May 2019, the Company announced an increase of 10% in its quarterly cash dividend from prior year.
- In fiscal year 2019, the Company repurchased 2,266 thousand shares of its common stock at a cost of \$ 328 under the Open-market purchase program and 2,208 thousand shares of its common stock at a cost of \$ 332 under the Evergreen Program.

Strategic Goals and Initiatives

Since October 2013, the Company's 2020 Strategy has directed the Company to focus on the highest-value opportunities for profitable, sustainable and responsible growth, or Good Growth. The Company's long-term financial goals reflected in the 2020 Strategy included annual net sales growth of 3%-5%, annual EBIT margin expansion of 25-50 basis points and annual free cash flow of 11%-13% of net sales. The strategy also called for the Company to prioritize the use of free cash flow to invest in the business, including the pursuit of strategic acquisitions, support dividends, maintain appropriate debt levels, and return excess cash to stockholders.

In October 2019, the Company will introduce a new long-term strategy, which builds on the success of the Company's former long-term 2020 Strategy. Looking forward, the Company's priority will be to continue its commitment to be a mission driven business as a means to support long-term value creation for all stakeholders.

RESULTS OF OPERATIONS

Unless otherwise noted, MD&A compares results of continuing operations from fiscal year 2019 to fiscal year 2018, and fiscal year 2018 to fiscal year 2017, with percentage and basis point calculations based on rounded numbers, except for per share data and the effective tax rate.

CONSOLIDATED RESULTS

Continuing operations

	2019	2018	2017	% Change	
				2019 to 2018	2018 to 2017
Net sales	\$ 6,214	\$ 6,124	\$ 5,973	1%	3%

Net sales in fiscal year 2019 increased by 1%, reflecting sales growth in the Lifestyle and Cleaning reportable segments, partially offset by lower sales in the Household and International reportable segments. Volume increased by 2%, primarily driven by higher shipments in the Lifestyle reportable segment, which included the benefit from the Nutranext acquisition in April 2018, partially offset by lower shipments in the Household reportable segment. The variance between volume growth and net sales growth was primarily due to the impact of unfavorable foreign currency exchange rates, unfavorable mix and higher trade promotion spending, partially offset by the benefit of price increases.

Net sales in fiscal year 2018 increased 3%, reflecting sales growth in the Lifestyle, Cleaning and International reportable segments. Volume increased 3%, with growth across all reportable segments, most significantly in the Cleaning and Lifestyle reportable segments. Higher shipments in the Cleaning reportable segment were primarily driven by growth in Home Care, partially offset by lower shipments of Professional Products due to the Aplicare divestiture in August 2017. Growth in the Lifestyle reportable segment included the benefit from the Nutranext acquisition in April 2018 and higher shipments in Burt's Bees® Natural Personal Care, partially offset by lower shipments in water-filtration products. Net sales also included the benefit of price increases offset by unfavorable mix.

	2019	2018	2017	% Change	
				2019 to 2018	2018 to 2017
Gross profit	\$ 2,728	\$ 2,675	\$ 2,671	2%	—%
Gross margin	43.9%	43.7%	44.7%		

Gross margin, defined as gross profit as a percentage of net sales, in fiscal year 2019 increased 20 basis points from 43.7% to 43.9%. The increase was primarily driven by the benefit of price increases and cost savings, partially offset by higher manufacturing and logistics costs, unfavorable commodity costs, the impact of unfavorable foreign currency exchange rates and higher trade promotion spending.

Gross margin in fiscal year 2018 decreased 100 basis points from 44.7% to 43.7%. The decrease was primarily driven by higher manufacturing and logistics costs and unfavorable commodity costs, partially offset by cost savings and the benefit of price increases.

Expenses

	2019	2018	2017	% Change		% of Net sales		
				2019 to 2018	2018 to 2017	2019	2018	2017
Selling and administrative expenses	\$ 856	\$ 837	\$ 810	2%	3%	13.8%	13.7%	13.6%
Advertising costs	612	570	599	7	(5)	9.8	9.3	10.0
Research and development costs	136	132	135	3	(2)	2.2	2.2	2.3

Selling and administrative expenses, as a percentage of net sales, were essentially flat in fiscal year 2019. The dollar increase in selling and administrative expenses was primarily due to the impact of the Nutranext business, which was acquired in April 2018, and the related integration costs, partially offset by the benefit from ongoing productivity initiatives as well as lower incentive compensation expenses, consistent with the Company's performance-based compensation philosophy.

Selling and administrative expenses, as a percentage of net sales, were essentially flat in fiscal year 2018. The dollar increase in selling and administrative expenses was primarily due to the impact of the Nutranext acquisition in April 2018 and inflationary pressure in the International reportable segment.

Advertising costs, as a percentage of net sales, increased by 50 basis points in fiscal year 2019, primarily due to increased investments across a majority of the U.S. portfolio. The Company's U.S. retail advertising spend was approximately 11% of U.S. retail sales for fiscal year 2019.

Advertising costs, as a percentage of net sales, decreased 70 basis points in fiscal year 2018, primarily due to a reduction in advertising investments. The Company's U.S. retail advertising spend was approximately 10% of U.S. retail sales for fiscal year 2018.

Research and development costs, as a percentage of net sales, were essentially flat in fiscal years 2019 and 2018. The Company continues to focus on product innovation and cost savings.

Interest expense, Other (income) expense, net, and the effective tax rate on earnings

	2019	2018	2017
Interest expense	\$ 97	\$ 85	\$ 88
Other (income) expense, net	3	(3)	6
Effective tax rate on earnings	19.8%	21.8%	31.9%

Interest expense increased by \$12 in fiscal year 2019 and decreased by \$3 in fiscal year 2018. The increase in fiscal year 2019 was primarily due to incremental interest incurred on senior notes issued in May 2018 to fund the Nutranext acquisition, partially offset by the impact of lower interest from senior notes issued in September 2017 to refinance senior notes that matured in October 2017.

Other (income) expense, net of \$3 in fiscal year 2019 included \$17 of amortization of trademarks and other intangible assets, partially offset by \$15 of income from equity investees. Additionally, \$14 of net period benefit cost was recognized in Other (income) expense, net as a result of adopting Accounting Standards Update No. 2017-07, "Compensation-Retirement Benefits (Topic 715)," on July 1, 2018. Prior to the adoption, net periodic benefit cost was recorded in Cost of products sold, Selling and administrative expenses and Research and development costs. See Notes to Consolidated Financial Statements for more information.

Other (income) expense, net of \$(3) in fiscal year 2018 included \$12 of income from equity investees, partially offset by \$11 of amortization of trademarks and other intangible assets. See Notes to Consolidated Financial Statements for more information.

Other (income) expense, net of \$6 in fiscal year 2017 included a \$21 non-cash charge related to impairing certain assets of the Aplicare business, \$14 of projected environmental costs associated with the Company's former operation at a site in Alameda County, California and \$10 of amortization of trademarks and other intangible assets. These were partially offset by \$19 of income from equity investees and a gain of \$10 from the sale of an Australian distribution facility. See Notes to Consolidated Financial Statements for more information.

The effective tax rate on earnings from continuing operations was 19.8%, 21.8% and 31.9% in fiscal years 2019, 2018 and 2017, respectively. The lower effective tax rate in fiscal year 2019 compared to fiscal year 2018 was primarily due to the lower federal statutory tax rate for fiscal year 2019, partially offset by one-time tax benefits from the enactment of the Tax Act during the second quarter of fiscal year 2018. The lower effective tax rate in fiscal year 2018 compared to fiscal year 2017 was primarily due to benefits from the Tax Act.

Diluted net earnings per share

	2019	2018	2017	% Change	
				2019 to 2018	2018 to 2017
Diluted net EPS from continuing operations	\$ 6.32	\$ 6.26	\$ 5.35	1%	17%

Diluted net earnings per share (EPS) from continuing operations increased by \$0.06, or 1%, in fiscal year 2019, mainly driven by a lower effective tax rate, primarily from the benefit of the Tax Act, partially offset by lower earnings from continuing operations before income taxes. Earnings from continuing operations before income taxes reflected a higher gross margin, which was more than offset by increased advertising spending.

Diluted EPS from continuing operations increased \$0.91 in fiscal year 2018, primarily driven by a lower effective tax rate due to the passage of the Tax Act in December 2017 (See Note 16 of Notes to Consolidated Financial Statements), cost savings and higher net sales, partially offset by higher manufacturing and logistics costs and unfavorable commodity costs.

SEGMENT RESULTS FROM CONTINUING OPERATIONS

The following presents the results from continuing operations 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):

Cleaning

	2019	2018	2017	% Change	
				2019 to 2018	2018 to 2017
Net sales	\$ 2,109	\$ 2,060	\$ 2,002	2%	3%
Earnings from continuing operations before income taxes	600	574	523	5	10

Fiscal year 2019 versus fiscal year 2018: Volume decreased by 1%, while net sales and earnings from continuing operations before income taxes increased by 2% and 5%, respectively, during fiscal year 2019. Volume decreased primarily driven by lower shipments in Home Care and Laundry, partially offset by higher shipments of Professional Products due to growth across all categories. The decreased shipments in Home Care were primarily driven by volume softness in Clorox[®] disinfecting wipes impacted by competitive activity. The lower shipments in Laundry were primarily driven by the impact of price increases. The variance between volume and net sales was primarily due to the benefit of price increases. The increase in earnings from continuing operations before income taxes was primarily due to net sales growth and cost savings, partially offset by higher manufacturing and logistics costs, unfavorable commodity costs and higher advertising spending.

Fiscal year 2018 versus fiscal year 2017: Volume, net sales and earnings from continuing operations before income taxes increased by 3%, 3% and 10%, respectively, during fiscal year 2018. Both volume and net sales growth were driven primarily by higher shipments in Home Care, mainly due to continued strength in Clorox[®] disinfecting wipes across multiple channels and the launch of Scentiva[™] branded products, partially offset by lower shipments in Professional Products. The decreased shipments in Professional Products were primarily driven by the sale of the Aplicare business in August 2017, partially offset by increased shipments of cleaning products driven by e-commerce growth and innovation. The increase in earnings from continuing operations before income taxes was primarily due to net sales growth, cost savings and the prior year \$21 non-cash impairment charge for the Aplicare business, partially offset by higher manufacturing and logistics costs and unfavorable commodity costs.

Household

	2019	2018	2017	% Change	
				2019 to 2018	2018 to 2017
Net sales	\$ 1,870	\$ 1,959	\$ 1,961	(5)%	— %
Earnings from continuing operations before income taxes	316	370	419	(15)	(12)

Fiscal year 2019 versus fiscal year 2018: Volume, net sales and earnings from continuing operations before income taxes decreased by 7%, 5% and 15%, respectively, during fiscal year 2019. Volume decreased, primarily driven by lower shipments of Glad[®] bags and wraps, mainly due to wider price gaps compared to a year ago and distribution losses, and lower shipments in Charcoal, mainly due to distribution losses and lower merchandising activity. The variance between volume and net sales was primarily due to the benefit of price increases, partially offset by unfavorable mix and higher trade promotion spending. The decrease in earnings from continuing operations before income taxes was mainly due to higher manufacturing and logistics costs, lower net sales, unfavorable commodity costs and higher advertising spending, partially offset by cost savings.

Fiscal year 2018 versus fiscal year 2017: Volume increased by 2% and sales were flat, while earnings from continuing operations before income taxes decreased by 12% during fiscal year 2018. Volume growth was driven by higher shipments in Cat Litter, primarily due to innovation and increased merchandising activity, higher shipments of RenewLife[®] digestive health products primarily due to growth in the e-commerce channel, and increased shipments in Glad[®] products primarily due to strength in premium trash bags. These increases were partially offset by lower shipments of Charcoal products mainly due to poor weather in the back half of fiscal year 2018. Volume outpaced net sales, primarily due to unfavorable mix and a price decrease on a portion of the Glad[®] trash portfolio. The decrease in earnings from continuing operations before income taxes was mainly due to higher manufacturing and logistics costs and unfavorable commodity costs, partially offset by cost savings.

Lifestyle

				% Change	
	2019	2018	2017	2019 to 2018	2018 to 2017
Net sales	\$ 1,265	\$ 1,077	\$ 1,000	17%	8%
Earnings from continuing operations before income taxes	255	243	244	5	—

Fiscal year 2019 versus fiscal year 2018: Volume, net sales and earnings from continuing operations before income taxes increased by 23%, 17% and 5%, respectively, during fiscal year 2019. Both volume and net sales increased, primarily driven by the benefit of the April 2018 acquisition of the Nutranext dietary supplements business, growth in Burt's Bees[®] Natural Personal Care, mainly due to continued strength in lip care and face care largely driven by product innovation and distribution gains, and higher shipments of Brita[®] water-filtration systems due to product innovation. The variance between volume and net sales was primarily due to unfavorable mix and higher trade promotion spending, partially offset by the benefit of price increases. The increase in earnings from continuing operations before income taxes was primarily due to net sales growth and cost savings, partially offset by higher manufacturing and logistics costs.

Fiscal year 2018 versus fiscal year 2017: Volume and net sales each increased by 8%, while earnings from continuing operations before income taxes was flat during fiscal year 2018. Both volume and net sales growth were primarily driven by the benefit of the April 2018 acquisition of the Nutranext dietary supplements business and higher shipments of Burt's Bees[®] Natural Personal Care products, mainly due to continued strength in lip care and new product launch of face and eye cosmetics, partially offset by lower shipments of Brita[®] water-filtration products. Earnings from continuing operations before income taxes was flat, as net sales growth and cost savings were offset by costs related to the Nutranext acquisition and higher manufacturing and logistics costs.

International

				% Change	
	2019	2018	2017	2019 to 2018	2018 to 2017
Net sales	\$ 970	\$ 1,028	\$ 1,010	(6)%	2%
Earnings from continuing operations before income taxes	96	84	81	14	4

Fiscal year 2019 versus fiscal year 2018: Volume increased by 2%, net sales decreased by 6%, and earnings from continuing operations before income taxes increased by 14% during fiscal year 2019. Volume grew, primarily driven by higher shipments in Asia and Canada, partially offset by lower shipments in certain Latin American countries, mainly Argentina. The variance between volume and net sales was mainly due to unfavorable foreign currency exchange rates and higher trade promotion spending, partially offset by the benefit of price increases. The increase in earnings from continuing operations before income taxes was largely due to the benefit of price increases and cost savings, partially offset by the impact of unfavorable foreign currency exchange rates, mainly from devaluation of the Argentine peso, and inflationary pressure on manufacturing and logistics costs.

Fiscal year 2018 versus fiscal year 2017: Volume was flat, net sales and earnings from continuing operations before income taxes increased by 2% and 4%, respectively, during fiscal year 2018. Volume reflected higher shipments in Canada, partially offset by lower shipments in Europe and in certain Latin American and Asian countries. Net sales outpaced volume primarily due to the benefit of price increases, partially offset by unfavorable foreign currency exchange rates and unfavorable mix. The increase in earnings from continuing operations before income taxes was primarily due to net sales growth, mainly driven by pricing, and cost savings, partially offset by inflationary pressure on manufacturing, logistics and administrative costs and unfavorable commodity costs.

Argentina

The Company operates in Argentina through certain wholly owned subsidiaries (collectively, “Clorox Argentina”). Net sales from Clorox Argentina represented approximately 2%, 3% and 3% of the Company’s consolidated net sales for the fiscal years ended June 30, 2019, 2018 and 2017, respectively. The operating environment in Argentina continues to be challenging, including continuing significant volatility in Argentina’s currency, high inflation and economic recession.

Clorox Argentina manufactures products at two plants that it owns and operates across Argentina and markets those products to consumers throughout the country. Products are advertised nationally and sold to consumers through wholesalers and retail outlets located throughout Argentina. Sales are made primarily through the use of Clorox Argentina’s sales force. Small amounts of products produced in Argentina are exported each year, including sales to the Company’s other subsidiaries located primarily in Latin America. Clorox Argentina obtains its raw materials almost entirely from local sources. The Company also conducts research and development activities at its owned facility in Buenos Aires, Argentina. Additionally, Clorox Argentina performs marketing, legal, and various other shared service activities to support the Company’s Latin American operations. Clorox Argentina, in turn, benefits from shared service activities performed within other geographic locations, such as information technology support and manufacturing technical assistance.

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. 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.

Volatility in the exchange rate is expected to continue in the future, which, along with competition and changes in the retail, labor and macro-economic environment, could have an adverse impact on Clorox Argentina’s 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

	2019	2018	2017	% Change	
				2019 to 2018	2018 to 2017
Losses from continuing operations before income taxes	\$ (243)	\$ (217)	\$ (234)	12%	(7)%

Corporate includes certain non-allocated administrative costs, interest income, interest expense and other non-operating income and expenses. Corporate assets include cash and cash equivalents, prepaid expenses and other current assets, property and equipment, other investments and deferred taxes.

Fiscal year 2019 versus fiscal year 2018: The increase in losses from continuing operations before income taxes was primarily driven by an increase in interest expense.

Fiscal year 2018 versus fiscal year 2017: The decrease in losses from continuing operations before income taxes was primarily driven by a prior year increase in projected environmental costs associated with the Company’s former operations at a site in Alameda County, California in fiscal year 2017 (See Notes to Consolidated Financial Statements for more information) and lower employee incentive compensation costs.

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 continuing 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, 2019. The following table summarizes cash activities from continuing operations for the years ended June 30:

	2019	2018	2017
Net cash provided by continuing operations	\$ 992	\$ 976	\$ 868
Net cash used for investing activities	(196)	(859)	(205)
Net cash used for financing activities	(815)	(399)	(645)

Operating Activities

Net cash provided by continuing operations was \$ 992 in fiscal year 2019, compared with \$976 in fiscal year 2018. The increase was primarily related to year-over-year improvements in working capital, current year benefits from the Tax Act, partially offset by a higher contribution to employee retirement income plans.

Net cash provided by continuing operations was \$976 in fiscal year 2018, compared with \$868 in fiscal year 2017. The year-over-year increase was primarily related to lower tax payments, mainly due to benefits from the Tax Act, and lower employee incentive compensation payments, partially offset by timing of payments to vendors.

Investing Activities

Net cash used for investing activities was \$ 196 in fiscal year 2019, as compared to \$859 in fiscal year 2018. The year-over-year decrease was mainly due to the \$681 of cash paid for the April 2, 2018 acquisition of Nutranext (See Notes to Consolidated Financial Statements for more information).

Net cash used for investing activities was \$859 in fiscal year 2018, as compared to \$205 in fiscal year 2017. The year-over-year increase was mainly due to the April 2, 2018 acquisition of Nutranext, a dietary supplements company that manufactures and markets leading dietary supplement brands in the retail and e-commerce channels as well as in its direct-to-consumer business. The total amount paid was \$681 (See Notes to Consolidated Financial Statements for more information).

Capital expenditures were \$ 206, \$194 and \$231 in fiscal years 2019, 2018 and 2017, respectively. Capital expenditures as a percentage of net sales was 3.3%, 3.2% and 3.9% for fiscal years 2019, 2018 and 2017, respectively. The year-over-year fluctuations were due to the timing of certain infrastructure projects.

In January 2017, the Company sold an Australian distribution facility, previously reported in the International reportable segment, which resulted in \$23 in cash proceeds from investing activities and a gain of \$10 recorded in Other (income) expense, net, on the consolidated statement of earnings for the year ended June 30, 2017.

Free cash flow

	2019	2018	2017
Net cash provided by continuing operations	\$ 992	\$ 976	\$ 868
Less: capital expenditures	(206)	(194)	(231)
Free cash flow	\$ 786	\$ 782	\$ 637
Free cash flow as a percentage of net sales	12.6%	12.8%	10.7%

Financing Activities

Net cash used for financing activities was \$815 in fiscal year 2019, as compared to \$399 in fiscal year 2018. Net cash used for financing activities was higher in fiscal year 2019, mainly due to higher treasury stock repurchases and higher dividend payments, partially offset by higher proceeds from stock option exercises.

Net cash used for financing activities was \$399 in fiscal year 2018, as compared to \$645 in fiscal year 2017. Net cash used for financing activities was lower in fiscal year 2018, mainly due to higher net borrowings in fiscal year 2018 to fund the Nutranext acquisition, partially offset by reduced notes payables balances from cash repatriated from foreign subsidiaries, increased treasury stock purchases and cash dividends.

Capital Resources and Liquidity

The Company believes it will have the funds necessary to meet its financing requirements and other fixed obligations as they become due based on its working capital requirements, anticipated ability to generate positive cash flows from operations in the future, investment-grade credit ratings, demonstrated access to long- and short-term credit markets and current borrowing availability under credit agreements. 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:

	2019		2018	
	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

As of June 30, 2019, the Company maintained a \$1,100 revolving credit agreement that matures in February 2022. There were no borrowings under this credit agreement as of June 30, 2019 and 2018, and the Company believes that borrowings under this credit agreement are and will continue to be available for general business 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 and non-cash asset impairment charges (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, 2019, using Consolidated EBITDA for the trailing four quarters, as contractually defined in the credit agreement:

	2019
Earnings from continuing operations	\$ 820
Add back:	
Interest expense	97
Income tax expense	204
Depreciation and amortization	180
Non-cash asset impairment charges	—
Less:	
Interest income	(3)
Consolidated EBITDA	\$ 1,298
Interest expense	\$ 97
Interest Coverage ratio	13.4

As of June 30, 2019, the Company was in compliance with all restrictive covenants and limitations in the credit agreement, 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 revolving credit agreement, and currently expects that any drawing on the agreement will be fully funded.

As of June 30, 2019, the Company maintained \$39 of foreign and other credit lines, of which \$4 was outstanding and the remainder of \$35 was available for borrowing.

As of June 30, 2018, the Company maintained \$37 of foreign and other credit lines, of which \$3 was outstanding and the remainder of \$34 was available for borrowing.

Short-term Borrowings

The Company's notes and loans payable consist of U.S. commercial paper issued by the parent company. 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 U.S. commercial paper borrowings outstanding was \$304 and \$470 for the fiscal years ended June 30, 2019 and 2018, respectively.

Long-term Borrowings

In May 2018, the Company issued \$500 of senior notes with an annual fixed interest rate of 3.90% and used the proceeds to repay a portion of its outstanding commercial paper, including amounts raised in connection with the Nutranext acquisition. The notes carry an effective interest rate of 4.02% (see Notes to Consolidated Financial Statements). The notes rank equally with all of the Company's existing senior indebtedness.

In September 2017, the Company issued \$400 of senior notes with an annual fixed interest rate of 3.10% and used the proceeds to repay \$400 of senior notes with an annual fixed interest rate of 5.95% that became due in October 2017. The September 2017 senior notes carry an effective interest rate of 3.13% (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, 2019, 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 replaced a prior open-market program with an authorized aggregate purchase amount of up to \$750, 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:

	2019		2018		2017	
	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)
Open-market purchase program	\$ 328	2,266	\$ 95	749	\$ —	—
Evergreen Program	332	2,208	177	1,422	189	1,505
Total stock repurchases	\$ 660	4,474	\$ 272	2,171	\$ 189	1,505

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

	2019	2018	2017
Dividends per share declared	\$ 3.94	\$ 3.60	\$ 3.24
Dividends per share paid	3.84	3.48	3.20
Total dividends paid	490	450	412

On May 20, 2019, the Company declared a 10% increase in the quarterly dividend, from 96 cents to \$1.06 per share, payable on August 16, 2019 to common stockholders of record as of the close of business on July 31, 2019.

On February 13, 2018, the Company declared a quarterly dividend of 96 cents per share payable on May 11, 2018 to common stockholders of record at the close of business on April 25, 2018. This represented an increase of 14 percent in the quarterly dividend, which was an accelerated declaration of the Company's dividend increase that has typically taken place in the month of May and was a result of the passage of the Tax Act.

Contractual Obligations

The Company had contractual obligations as of June 30, 2019, payable or maturing in the following fiscal years:

	2020	2021	2022	2023	2024	Thereafter	Total
Long-term debt maturities including interest payments	\$ 79	\$ 79	\$ 374	\$ 659	\$ 49	\$ 1,530	\$ 2,770
Notes and loans payable	397	1	1	—	—	—	399
Purchase obligations ⁽¹⁾	77	36	26	14	11	—	164
Operating leases	71	65	50	42	37	124	389
Payments related to nonqualified retirement income and retirement health care plans ⁽²⁾	14	13	13	13	14	71	138
Venture agreement terminal obligation ⁽³⁾	—	—	—	—	—	619	619
Total	\$ 638	\$ 194	\$ 464	\$ 728	\$ 111	\$ 2,344	\$ 4,479

- (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 2029. 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, wraps and containers business. As of June 30, 2019, 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 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, 2019 and 2018.

The Company was a party to letters of credit of \$9 as of both June 30, 2019 and 2018, 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 foreign currency fluctuations, changes in commodity prices, 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 swaps, forward purchases and futures contracts. 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.

Sensitivity Analysis for Derivative Contracts

For fiscal years 2019 and 2018, 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 foreign exchange rates, commodity prices or interest rates. The results of the sensitivity analyses for foreign currency derivative contracts, commodity derivative contracts and interest rate contracts are summarized below. Actual changes in foreign exchange rates, commodity prices 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 income (loss), 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 forward and future contracts for forecasted purchases of raw materials, interest rate forward 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, 2019, 2018 and 2017, 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 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, where available at a reasonable cost. During fiscal years 2019 and 2018, the Company had derivative contracts related to raw materials exposures for jet fuel used for the charcoal business and soybean oil used for the food business. Based on a hypothetical decrease or increase of 10% in these commodity prices as of June 30, 2019, and June 30, 2018, the estimated fair value of the Company's then-existing commodity derivative contracts would decrease or increase by \$2 and \$4, respectively, with the corresponding impact included in Accumulated other comprehensive net (losses) income.

Foreign Currency Risk

The Company seeks to minimize the impact of certain foreign currency fluctuations by hedging transactional exposures with foreign currency forward contracts. Based on a hypothetical decrease of 10% in the value of the U.S. dollar as of June 30, 2019 and June 30, 2018, the estimated fair value of the Company's then-existing foreign currency derivative contracts would decrease by \$7 and \$5, respectively, with the corresponding impact included in Accumulated other comprehensive net (losses) income. Based on a hypothetical increase of 10% in the value of the U.S. dollar as of June 30, 2019 and June 30, 2018, the estimated fair value of the Company's then-existing foreign currency derivative contracts would increase by \$6 and \$4, respectively, with the corresponding impact included in Accumulated other comprehensive net (losses) income.

Interest Rate Risk

The Company is exposed to interest rate volatility with regard to existing short-term borrowings, primarily commercial paper, and anticipated future issuances of long-term debt. Weighted average interest rates for commercial paper borrowings were 2.61% during fiscal year 2019 and 1.86% during fiscal year 2018 . Assuming average variable rate debt levels during fiscal years 2019 and 2018 , a 100 basis point increase or decrease in interest rates would increase or decrease interest expense from commercial paper by approximately \$3 and \$5, 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 rates. The Company had no outstanding interest rate forward contract positions as of June 30, 2019 or 2018 .

RECENTLY ISSUED ACCOUNTING STANDARDS

A summary of all recently issued accounting standards is contained in Note 1 of 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. 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 obligations, 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. 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; and the venture agreement terminal obligation. 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 routinely commits to one-time or ongoing trade-promotion programs with customers. Programs include shelf-price reductions, end-of-aisle or in-store displays and graphics of the Company's products and other trade-promotion activities conducted by the customer to promote the Company's brands and products. Costs related to these programs are recorded as a reduction of sales. The Company's trade promotion accruals are primarily based on estimated volume and incorporate historical sales and spending trends by customer and category. The determination of these estimated accruals requires judgment and may change in the future as a result of changes in customer promotion participation. Final determination of the total cost of a promotion is dependent upon customers providing information about proof of performance and other information related to the promotional event. This process of analyzing and settling trade-promotion programs with customers could impact the Company's results of operations and trade promotion accruals depending on how actual results of the programs compare to the estimates. If the Company's trade promotion accrual estimates as of June 30, 2019 were to differ by 10%, the impact on net sales would be approximately \$10.

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 2019, the Company's reporting units for goodwill impairment testing purposes were its individual U.S. SBUs and the International division. 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 managers of the respective operating segments. The respective operating segment managers do not review financial information for components that are below the operating segment level. No instances of impairment were identified during the fiscal year 2019 annual impairment review. All of the Company's reporting units had fair values that exceeded recorded values. However, future changes in the judgments, assumptions and estimates that are used in the impairment testing for goodwill and indefinite-lived intangible assets as described below could result in significantly different estimates of the fair values.

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 carrying value from the prior year's impairment testing, other reporting unit operating results as well as new events and circumstances impacting the operations at the reporting unit level. If the result of a qualitative test indicates a potential for impairment, a quantitative test is performed. The quantitative test is a two-step process. In the first step, the Company compares the estimated fair value of each reporting unit to its carrying value. In all instances, the estimated fair value exceeded the carrying value of the reporting unit. If the estimated fair value of any reporting unit had been less than its carrying value, the Company would have performed a second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of a reporting unit's goodwill had exceeded its implied fair value, an impairment charge would have been recorded for the difference between the carrying amount and the implied fair value of the reporting unit's goodwill.

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, future volumes, net sales and expense growth rates, commodity prices, changes in working capital, foreign exchange rates, inflation and a terminal growth rate. Changes in such estimates or the application of alternative assumptions could produce different results.

No impairments were identified in fiscal year 2019 as a result of the Company's impairment review performed annually during the fourth quarter or during any other quarters of fiscal year 2019.

Trademarks and Other Indefinite-Lived Intangible Assets

For trademarks and other intangible assets with indefinite lives, the Company performs a quantitative analysis to test for impairment. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the 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.

No impairments were identified in fiscal year 2019 as a result of the Company's impairment review performed annually during the fourth quarter or during any other quarters of fiscal year 2019.

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 amount of an asset (or asset group) may not be recoverable. The Company's impairment review requires significant management judgment, 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. Impairment occurs when the carrying amount of the asset (or asset group) exceeds its estimated future undiscounted cash flows and the impairment is viewed as other than temporary. When impairment is indicated, an impairment charge is recorded for the difference between the asset's carrying value and its estimated fair value. Depending on the asset, estimated fair value may be determined either by use of a DCF model or, if available, by reference to estimated selling values of assets in similar condition. The use of different assumptions would increase or decrease the estimated fair value of assets and would increase or decrease any impairment measurement.

No significant impairments were identified in fiscal year 2019 as a result of the Company's impairment review during any quarters of fiscal year 2019 .

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, 2019 and June 30, 2018 , valuation allowances related to the realization of deferred tax assets were approximately \$44 and \$43, 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, 2019 and June 30, 2018 , the liabilities recorded for uncertain tax positions, excluding associated interest and penalties, were approximately \$31 and \$47, 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 determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely and reassesses this determination on a quarterly basis. A change to the Company's determination may be warranted based on the Company's experience as well as plans regarding future international operations and expected remittances. Changes in the Company's determination would require an adjustment to the income tax provision in the quarter in which the determination is made. 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. 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 because the Tax Act enacted in December 2017 significantly reduced the cost of U.S. repatriation. As a result, the Company is providing foreign withholding taxes on the undistributed earnings of all foreign subsidiaries where applicable, which has no significant impact on the Company's consolidated results.

Venture Agreement Terminal Obligation

The Company has a venture agreement with P&G for the Company's Glad[®] bags, wraps and containers business. In connection with this agreement, P&G provides R&D support to the Glad[®] business. As of June 30, 2019 and June 30, 2018, 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 now 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 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, future volumes, net sales and expense growth rates, commodity prices, changes in working capital, capital expenditures, foreign exchange rates, tax 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, 2019 were to increase or decrease by 100 basis points, the estimated fair value of P&G's interest would decrease by approximately \$60 or increase by approximately \$80, respectively. Additionally, if the tax rate as of June 30, 2019 were to increase or decrease by 100 basis points, the estimated fair value of P&G's interest would change by approximately \$7. Such changes would affect the amount of future charges to Cost of products sold.

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 continuing 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 from continuing operations before interest, taxes, depreciation and amortization and non-cash asset impairment charges. *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 from continuing operations 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 from continuing operations before income taxes, excluding non-cash U.S. GAAP restructuring and intangible asset impairment charges, and interest expense; less income taxes (calculated utilizing the Company's effective tax rate), and less a capital charge (calculated as average capital employed multiplied by a cost of capital percentage rate). EP is a key financial metric 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 from continuing operations before income taxes.

Organic sales growth 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 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 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.

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, and such forward-looking statements involve risks 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,” “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;
- volatility and increases in commodity costs such as resin, sodium hypochlorite and agricultural commodities, and increases in energy, transportation or other costs;
- 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;
- 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;
- the Company’s ability to maintain its business reputation and the reputation of its brands and products;
- risks relating to acquisitions, new ventures and divestitures, and associated costs, including the potential for asset impairment charges related to, among others, intangible assets and goodwill; and the ability to complete announced transactions and, if completed, integration costs and potential contingent liabilities related to those transactions;
- lower revenue, increased costs or reputational harm resulting from government actions and regulations;
- the ability of the Company to successfully manage global, political, legal, tax and regulatory risks, including changes in regulatory or administrative activity;
- worldwide, regional and local economic and financial market conditions;
- risks related to international operations and international trade, including foreign currency fluctuations, including devaluations, and foreign currency exchange rate controls, including periodic changes in such controls; changes in U.S. immigration or trade policies, including the imposition of new or additional tariffs, labor claims, labor unrest and inflationary pressures, particularly in Argentina; political instability and the uncertainty regarding the outcome of Brexit; government-imposed price controls or other regulations; 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; 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 or tax proceedings, including in foreign jurisdictions;
- the ability of the Company to implement and generate cost savings and efficiencies;
- the success of the Company’s business strategies;
- risks related to additional increases in the estimated fair value of P&G’s interest in the Glad[®] business;
- the Company’s ability to attract and retain key personnel;
- supply disruptions and other risks inherent in reliance on a limited base of suppliers;
- 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;
- increased focus by governmental and non-governmental organizations, customers, consumers and investors on sustainability issues, including those related to climate change;

- the facilities of the Company and its suppliers being subject to disruption by events beyond the Company’s control, including work stoppages, cyber-attacks, natural disasters and terrorism;
- the Company’s ability to maximize, assert and defend its intellectual property rights;
- any infringement or claimed infringement by the Company of third-party intellectual property rights;
- the accuracy of the Company’s estimates and assumptions on which its financial projections are based;
- the effect of the Company’s indebtedness and credit rating on its business operations and financial results;
- the Company’s ability to pay and declare dividends or repurchase its stock in the future;
- uncertainties relating to tax positions, tax disputes and changes in the Company’s tax rate, and any additional effects of the Tax Act on the Company;
- the Company’s ability to maintain an effective system of internal controls;
- the impacts of potential stockholder activism; and
- risks related to the Company’s discontinuation of operations in Venezuela.

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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2019, 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, 2019, 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 13, 2019 expressed an unqualified opinion thereon.

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, 2019, the Company's goodwill was \$1.6 billion and represented 31% of total assets; trademarks with indefinite lives was \$777 million and represented 15% 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.

Auditing the Company's annual impairment test 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 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 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 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 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, wraps and containers 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, 2019, the fair value of \$370 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, testing the completeness and accuracy of the underlying data and comparing the assumptions used for the U.S. Glad[®] business with those used in the valuation of the Glad[®] reporting unit for goodwill impairment review purposes. 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, 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 specialist to assist in reviewing the valuation methodology and testing the terminal growth rates and discount rates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2003.

San Francisco, CA
August 13, 2019

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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, and the related notes (collectively referred to as the "consolidated financial statements") and our report dated August 13, 2019 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 13, 2019

CONSOLIDATED STATEMENTS OF EARNINGS*The Clorox Company***Years ended June 30**

Dollars in millions, except share and per share data	2019	2018	2017
Net sales	\$ 6,214	\$ 6,124	\$ 5,973
Cost of products sold	3,486	3,449	3,302
Gross profit	2,728	2,675	2,671
Selling and administrative expenses	856	837	810
Advertising costs	612	570	599
Research and development costs	136	132	135
Interest expense	97	85	88
Other (income) expense, net	3	(3)	6
Earnings from continuing operations before income taxes	1,024	1,054	1,033
Income taxes on continuing operations	204	231	330
Earnings from continuing operations	820	823	703
Losses from discontinued operations, net of tax	—	—	(2)
Net earnings	\$ 820	\$ 823	\$ 701
Net earnings (losses) per share			
Basic			
Continuing operations	\$ 6.42	\$ 6.37	\$ 5.45
Discontinued operations	—	—	(0.02)
Basic net earnings per share	\$ 6.42	\$ 6.37	\$ 5.43
Diluted			
Continuing operations	\$ 6.32	\$ 6.26	\$ 5.35
Discontinued operations	—	—	(0.02)
Diluted net earnings per share	\$ 6.32	\$ 6.26	\$ 5.33
Weighted average shares outstanding (in thousands)			
Basic	127,734	129,293	128,953
Diluted	129,792	131,581	131,566

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME*The Clorox Company*

Years ended June 30

Dollars in millions	2019	2018	2017
Earnings from continuing operations	\$ 820	\$ 823	\$ 703
Losses from discontinued operations, net of tax	—	—	(2)
Net earnings	820	823	701
Other comprehensive income (loss):			
Foreign currency adjustments, net of tax	(22)	(28)	(3)
Net unrealized gains (losses) on derivatives, net of tax	2	12	7
Pension and postretirement benefit adjustments, net of tax	4	12	23
Total other comprehensive income (loss), net of tax	(16)	(4)	27
Comprehensive income	\$ 804	\$ 819	\$ 728

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS*The Clorox Company***As of June 30****Dollars in millions, except share and per share data**

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 111	\$ 131
Receivables, net	631	600
Inventories, net	512	506
Prepaid expenses and other current assets	51	74
Total current assets	1,305	1,311
Property, plant and equipment, net	1,034	996
Goodwill	1,591	1,602
Trademarks, net	791	795
Other intangible assets, net	121	134
Other assets	274	222
Total assets	<u>\$ 5,116</u>	<u>\$ 5,060</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and loans payable	\$ 396	\$ 199
Accounts payable and accrued liabilities	1,035	1,001
Income taxes payable	9	—
Total current liabilities	1,440	1,200
Long-term debt	2,287	2,284
Other liabilities	780	778
Deferred income taxes	50	72
Total liabilities	4,557	4,334
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; 158,741,461 shares issued as of June 30, 2019 and 2018; and 125,686,325 and 127,982,767 shares outstanding as of June 30, 2019 and 2018, respectively	159	159
Additional paid-in capital	1,046	975
Retained earnings	3,150	2,797
Treasury shares, at cost: 33,055,136 and 30,758,694 shares as of June 30, 2019 and 2018, respectively	(3,194)	(2,658)
Accumulated other comprehensive net (loss) income	(602)	(547)
Stockholders' equity	559	726
Total liabilities and stockholders' equity	<u>\$ 5,116</u>	<u>\$ 5,060</u>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

The Clorox Company

Dollars in millions, except per share data	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Net (Loss) Income	Total
	Amount	Shares (in thousands)			Amount	Shares (in thousands)		
Balance as of June 30, 2016	\$ 159	158,741	\$ 868	\$ 2,163	\$ (2,323)	(29,386)	\$ (570)	\$ 297
Net earnings				701				701
Other comprehensive income (loss)							27	27
Dividends (\$3.24 per share declared)				(421)				(421)
Stock-based compensation			51					51
Other employee stock plan activities			9	(3)	70	1,164		76
Treasury stock purchased					(189)	(1,505)		(189)
Balance as of June 30, 2017	159	158,741	928	2,440	(2,442)	(29,727)	(543)	542
Net earnings				823				823
Other comprehensive income (loss)							(4)	(4)
Dividends (\$3.60 per share declared)				(467)				(467)
Stock-based compensation			53					53
Other employee stock plan activities			(6)	1	56	1,139		51
Treasury stock purchased					(272)	(2,171)		(272)
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 income (loss)							(16)	(16)
Dividends (\$ 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

⁽¹⁾ The opening balances of Retained Earnings and Accumulated other comprehensive net (loss) income were adjusted as a result of adopting Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," on July 1, 2018 and ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," on April 1, 2019, respectively. See Note 1 for more information.

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Clorox Company

Years ended June 30

Dollars in millions

	2019	2018	2017
		(As Adjusted*)	(As Adjusted*)
Operating activities:			
Net earnings	\$ 820	\$ 823	\$ 701
Deduct: Losses from discontinued operations, net of tax	—	—	(2)
Earnings from continuing operations	820	823	703
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization	180	166	163
Stock-based compensation	43	53	51
Deferred income taxes	(20)	(23)	(35)
Other	(29)	44	33
Changes in:			
Receivables, net	(32)	(24)	(1)
Inventories, net	(7)	(21)	(19)
Prepaid expenses and other current assets	(6)	4	(5)
Accounts payable and accrued liabilities	17	(47)	(34)
Income taxes payable/receivable, net	26	1	12
Net cash provided by continuing operations	992	976	868
Net cash used for discontinued operations	—	—	(3)
Net cash provided by operations	992	976	865
Investing activities:			
Capital expenditures	(206)	(194)	(231)
Businesses acquired, net of cash acquired	—	(681)	—
Other	10	16	26
Net cash used for investing activities	(196)	(859)	(205)
Financing activities:			
Notes and loans payable, net	189	(214)	(125)
Long-term debt borrowings, net of issuance costs	—	891	—
Long-term debt repayments	—	(400)	—
Treasury stock purchased	(661)	(271)	(183)
Cash dividends paid	(490)	(450)	(412)
Issuance of common stock for employee stock plans and other	147	45	75
Net cash used for financing activities	(815)	(399)	(645)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2)	(3)	(1)
Net increase (decrease) in cash, cash equivalents and restricted cash	(21)	(285)	14
Cash, cash equivalents and restricted cash:			
Beginning of year	134	419	405
End of year	\$ 113	\$ 134	\$ 419
Supplemental cash flow information:			
Interest paid	\$ 87	\$ 75	\$ 78
Income taxes paid, net of refunds	207	245	347
Non-cash financing activities:			
Cash dividends declared and accrued, but not paid	133	123	108

*Adjusted to reflect the retrospective adoption of ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," effective July 1, 2018. See Note 1 for more information related to restricted cash.

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
The Clorox Company
(Dollars in millions, except share and 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 sales 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. Certain prior year reclassifications were made in the consolidated financial statements and related notes to the consolidated financial statements to conform to the current year presentation.

Effective September 22, 2014, the Company's Venezuela affiliate, Corporación Clorox de Venezuela S.A. (Clorox Venezuela), discontinued its operations. Consequently, the Company presents the financial results of Clorox Venezuela as a discontinued operation in the consolidated financial statements for all periods presented herein.

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 three months 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, 2019, 2018, 2017, and 2016, the Company had \$ 2, \$3, \$2 and \$4 of restricted cash, respectively, which was primarily related to a cash margin deposit held for exchange-traded futures contracts. The June 30, 2017 and 2016 balances also included restricted cash related to fiscal year 2012 acquisitions. The restricted cash was included in Prepaid expenses and other current assets and Other assets as of June 30, 2019, 2018, 2017 and 2016.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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 carrying value of the asset 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.

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 the prior year's impairment testing, other reporting unit specific operating results as well as new events and circumstances impacting the operations at the reporting unit level. If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. The quantitative test is a two-step process. In the first step, the Company compares the estimated fair value of the reporting unit to its carrying value. In all instances, the estimated fair value exceeded the carrying value of the reporting unit. Had the estimated fair value of any reporting unit been less than its carrying value, the Company would have performed a second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of a reporting unit's goodwill had exceeded its implied fair value, an impairment charge would have been recorded for the difference between the carrying amount and the implied fair value of the reporting unit's goodwill.

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, 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, future volumes, net sales and expense growth rates, commodity prices, changes in working capital, foreign exchange rates, inflation and a terminal growth rate. Changes in such estimates or the application of alternative assumptions could produce different results.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For trademarks and other intangible assets with indefinite lives, the Company performs a quantitative analysis to test for impairment. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the 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.

Stock-based Compensation

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied. The Company's performance obligation generally consists of the promise to sell finished products to wholesalers, distributors, retailers or consumers. Control of finished products is transferred upon shipment to, or receipt at, customers' locations, as determined by the specific terms of the customer contract. Shipping and handling activities are accounted for as contract fulfillment costs and classified as Cost of products sold. Once control is transferred to the customer, the Company has completed its performance obligation, and revenue is recognized. 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 routinely commits to one-time or ongoing trade-promotion programs with customers and consumer coupon programs that require the Company to estimate and accrue the expected costs of such programs, which include shelf price reductions, end-of-aisle or in-store displays of the Company's products and graphics and other trade-promotion activities conducted by the customer. The costs of such activities, defined as variable consideration under Topic 606 of the Accounting Standards Codification, "Revenue from Contracts with Customers," are netted against sales and recorded when the related sales take place. The accruals for trade promotion programs and consumer coupons 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. The Company uses forecasted appropriations, historical trend analysis, and customer and sales organization inputs in determining the accruals for trade promotional activities, and uses historical trend experience and coupon redemption estimates for the coupon accruals.

The Company provides an allowance for doubtful accounts based on its historical experience and ongoing assessment of its customers' credit risk and aging. Receivables were presented net of an allowance for doubtful accounts of \$ 4 and \$7 as of June 30, 2019 and 2018 , respectively. Receivables, net, included non-customer receivables of \$ 17 and \$10 as of June 30, 2019 and 2018 , 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 associated with the Company's non-manufacturing, non-research and development staff, facilities and equipment, as well as software and licensing fees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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. In December 2017, The Tax Cuts and Jobs Act (the Tax Act) was passed into law, which 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.

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 income (loss). The income tax effect of currency translation adjustments is recorded as a component of deferred taxes with an offset to Other comprehensive income (loss) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 income (loss) 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 forward 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, 2019, 2018 and 2017, the Company had no hedging instruments designated as fair value hedges.

For derivative instruments designated and qualifying as cash flow hedges, the effective portion of gains or losses is reported as a component of Other comprehensive income (loss) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

Recently Issued Accounting Standards Not Yet Adopted

In August 2017, the Financial Accounting Standards Board (FASB) issued ASU No. 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,” which amends the hedge accounting recognition and presentation requirements to better align an entity’s risk management activities with its financial reporting. This standard also simplifies the application of hedge accounting in certain situations. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. The Company does not expect this guidance to have a material impact on its consolidated financial statements upon adoption.

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 new guidance is effective for the Company beginning in the first quarter of fiscal year 2021, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” which requires lessees to recognize a right-of-use (ROU) asset and a lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation will depend on the classification of a lease as either a finance or an operating lease. ASU 2016-02 also requires expanded disclosures about leasing arrangements. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. In July 2018, the FASB issued ASU No. 2018-11, “Leases (Topic 842), Targeted Improvements,” which provides an optional transition method in applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted. The Company will adopt the new standard in the first quarter of fiscal year 2020, on a modified retrospective basis using the optional transition method, and, accordingly, will not restate the comparative periods. The Company expects to elect certain practical expedients, including the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Company has substantially completed its plan for the adoption and implementation of this new accounting standard, including assessing its lease arrangements and implementing software to meet the reporting and disclosure requirements of this standard. The Company anticipates the adoption of this new standard will result in the recognition of ROU assets of between approximately \$315 and \$345 and aggregate current and non-current liabilities of between \$350 and \$380 on the Company’s consolidated balance sheet with the difference largely due to deferred rent that will be reclassified to the ROU asset. The Company also expects to record a cumulative-effect adjustment to the opening balance of Retained earnings of between approximately \$20 and \$25 related primarily to the remaining deferred gain from the sale-leaseback of the Company’s general office building in Oakland, California (see Note 8). This new standard is not expected to have a material impact on the Company’s consolidated statement of earnings or the consolidated statement of cash flows.

Recently Adopted Accounting Standards

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” which amends its guidance to allow a reclassification from Accumulated Other Comprehensive Income to Retained Earnings for the stranded income tax effects resulting from the Tax Act. The Company early adopted this guidance in, and applied it to, the fourth quarter of fiscal year 2019. As a result of the adoption, the Company decreased Accumulated other comprehensive net (loss) income and increased Retained earnings by \$39.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” which replaces most of the existing U.S. GAAP revenue recognition guidance and is intended to improve and converge with international standards on the financial reporting requirements for revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers, including information about significant judgments and changes in judgments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company adopted the new guidance on a modified retrospective basis effective July 1, 2018, and the adoption did not have a material impact on the Company's annual consolidated financial statements. However, there was an impact on the Company's financial results in the interim periods due to the timing of recognition for certain trade promotion spending. Due to a change in the timing of recognition for certain trade promotion spending, the Company recorded an immaterial cumulative effect of initially applying the new guidance as an adjustment to the fiscal year 2019 opening balance of Retained earnings. Results for periods beginning on or after July 1, 2018 are recognized and presented in accordance with Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with the prior accounting guidance under Topic 605, "Revenue Recognition." The Company has made changes to its accounting policies, business processes, systems and controls to align with the new revenue recognition guidance and disclosure requirements.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires presenting the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs arising from services rendered during the period. This standard also requires that other components of the net periodic benefit cost be presented separately from the line item(s) that includes service costs and outside of any subtotal of operating income, if one is presented, on a retrospective basis. The Company adopted this new guidance in the first quarter of fiscal year 2019 and the adoption did not have a material impact on the Company's consolidated financial statements. Following the adoption of this guidance, the Company records the non-service cost components of net periodic benefit cost in Other (income) expense, net.

In March 2018, the FASB issued ASU No. 2018-05, "Income Taxes (Topic 740)-Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118," which amends its guidance to address the initial accounting for the income tax effects of the Tax Act, which was enacted on December 22, 2017 (enactment date). This guidance allowed reasonable estimates of income tax effects to be reported as provisional amounts during the measurement period, which is one year from the enactment date, when the necessary information is not available, prepared, or analyzed in sufficient detail to complete the accounting. The amendments also added specific disclosure requirements. The Company has adopted this new guidance. The Company recorded \$81 of provisional benefits in the second quarter of fiscal year 2018. Refer to Note 16 for more information.

NOTE 2. BUSINESS ACQUIRED

Nutranext Acquisition

On April 2, 2018, the Company acquired 100 percent of Nutranext, a dietary supplements company based in Sunrise, Florida. Nutranext manufactures and markets leading dietary supplement brands in the retail and e-commerce channels as well as in its direct-to-consumer business. The purchase of the business reflects the Company's strategy to acquire leading brands in fast-growing categories with attractive gross margins.

The total consideration paid of \$681, which included post-closing working capital and other adjustments, was initially funded through commercial paper borrowings and subsequently repaid using a combination of long-term debt financing and cash repatriated from foreign subsidiaries. The assets and liabilities of Nutranext 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 Lifestyle and Household reportable segments in the amounts of \$310 and \$102, respectively. The goodwill of \$412 is primarily attributable to the synergies, including those with the digestive health business, expected to arise after the acquisition and reflects the value of further expanding the Company's portfolio into the health and wellness arena. Of the total goodwill, \$363 is expected to be deductible for tax purposes.

The purchase price allocation was finalized during the third quarter of fiscal year 2019. The following table summarizes the final purchase price allocation for the fair value of Nutranext's assets acquired and liabilities assumed and the related deferred income taxes. 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 weighted-average estimated useful life of intangible assets subject to amortization is 15 years.

NOTE 2. BUSINESS ACQUIRED (continued)

	Nutranext
Goodwill (\$310 in Lifestyle reportable segment and \$102 in Household reportable segment)	\$ 412
Trademarks	143
Customer relationships	75
Property, plant and equipment	49
Working capital, net	22
Deferred income taxes	(20)
Consideration paid	<u>\$ 681</u>

Effective April 2, 2018, Nutranext was consolidated into the Company's results of operations. Results for Nutranext's global business are reflected in the Lifestyle reportable segment. Included in the Company's results for fiscal year 2019 and 2018 was \$217 and \$53, respectively, of Nutranext's global net sales.

Pro forma results reflecting the acquisition were not presented because the acquisition did not meet the threshold requirements for additional disclosure.

NOTE 3. INVENTORIES

Inventories consisted of the following as of June 30:

	2019	2018
Finished goods	\$ 411	\$ 395
Raw materials and packaging	125	129
Work in process	6	9
LIFO allowances	(30)	(27)
Total	<u>\$ 512</u>	<u>\$ 506</u>

The LIFO method was used to value approximately 34% and 38% of inventories as of June 30, 2019 and 2018, 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, 2019, 2018 and 2017.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2019	2018
Machinery and equipment	\$ 1,867	\$ 1,808
Buildings	596	574
Capitalized software costs	358	375
Land and improvements	138	131
Construction in progress	131	77
Computer equipment	94	92
Total	<u>3,184</u>	<u>3,057</u>
Less: Accumulated depreciation and amortization	(2,150)	(2,061)
Property, plant and equipment, net	<u>\$ 1,034</u>	<u>\$ 996</u>

Included in Machinery and equipment above was \$ 21 and \$13 of capital leases as of June 30, 2019 and 2018. Accumulated depreciation for assets under capital leases was \$ 12 and \$10 as of June 30, 2019 and 2018, respectively.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

Included in Buildings above was \$ 0 and \$2 of asset retirement obligations as of June 30, 2019 and 2018 , respectively, for leased properties. There were no asset retirement obligations recorded in fiscal year 2019 and 2018 .

Depreciation and amortization expense related to property, plant and equipment, net, was \$ 165 , \$156 and \$153 in fiscal years 2019 , 2018 and 2017 , respectively, which includes depreciation of assets under capital leases. This also includes amortization of capitalized software of \$ 8 , \$11 and \$15 in fiscal years 2019 , 2018 and 2017 , respectively.

During the second quarter of fiscal year 2017, the Company recognized a \$21 non-cash charge, within the Cleaning reportable segment, related to impairing certain assets of the subsequently divested Aplicare business. The asset impairment charge primarily related to writing down Property, plant and equipment to fair value in connection with an updated valuation of the Aplicare business.

Non-cash capital expenditures were \$ 2 in each of the fiscal years ended June 30, 2019 , 2018 and 2017 .

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, 2019 and 2018 were as follows:

	Goodwill				
	Cleaning	Household	Lifestyle	International	Total
Balance as of June 30, 2017	\$ 323	\$ 207	\$ 244	\$ 422	\$ 1,196
Acquisition	—	102	309	—	411
Effect of foreign currency translation	—	—	—	(5)	(5)
Balance as of June 30, 2018	\$ 323	\$ 309	\$ 553	\$ 417	\$ 1,602
Acquisition	—	—	1	—	1
Effect of foreign currency translation	—	—	—	(12)	(12)
Balance as of June 30, 2019	\$ 323	\$ 309	\$ 554	\$ 405	\$ 1,591

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, 2019			As of June 30, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Trademarks with indefinite lives	\$ 777	\$ —	\$ 777	\$ 778	\$ —	\$ 778
Trademarks with finite lives	40	26	14	41	24	17
Other intangible assets	430	309	121	430	296	134
Total	\$ 1,247	\$ 335	\$ 912	\$ 1,249	\$ 320	\$ 929

Finite-lived intangible assets are amortized over their estimated useful lives, which range from 2 to 30 years. Amortization expense relating to the Company's intangible assets was \$ 15 , \$10 and \$10 for the years ended June 30, 2019 , 2018 and 2017 , respectively. Estimated amortization expense for these intangible assets is \$ 14 , \$ 12 , \$ 12 , \$ 12 and \$ 10 for fiscal years 2020 , 2021 , 2022 , 2023 and 2024 , respectively.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2019	2018
Accounts payable	\$ 507	\$ 507
Compensation and employee benefit costs	158	154
Trade and sales promotion costs	115	91
Dividends	139	129
Other	116	120
Total	\$ 1,035	\$ 1,001

NOTE 7. DEBT

Short-term borrowings

Notes and loans payable primarily consist of U.S. commercial paper issued by the Company, which mature in less than one year, and were \$396 and \$199 as of June 30, 2019 and 2018, respectively.

The weighted average interest rates incurred on average outstanding notes and loans payable during the fiscal years ended June 30, 2019, 2018 and 2017, including fees associated with the Company's undrawn revolving credit facility, were 2.98%, 2.10% and 1.21%, respectively. The weighted average effective interest rates on U.S. commercial paper balances as of June 30, 2019 and 2018 were 2.65% and 2.31%, 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:

	2019	2018
Senior unsecured notes and debentures:		
3.80%, \$300 due November 2021	\$ 299	\$ 298
3.05%, \$600 due September 2022	598	597
3.50%, \$500 due December 2024	498	497
3.10%, \$400 due October 2027	397	397
3.90%, \$500 due May 2028	495	495
Total	2,287	2,284
Less: Current maturities of long-term debt	—	—
Long-term debt	\$ 2,287	\$ 2,284

The weighted average interest rates incurred on average outstanding long-term debt during the fiscal years ended June 30, 2019, 2018 and 2017, were 3.81%, 3.94% and 4.41%, respectively. The weighted average effective interest rates on long-term debt balances as of both June 30, 2019 and 2018 were 3.81%.

Long-term debt maturities as of June 30, 2019, are \$0, \$0, \$300, \$600, \$0, and \$1,400 in fiscal years 2020, 2021, 2022, 2023, 2024, and thereafter, respectively.

In May 2018, the Company issued \$500 of senior notes with an annual fixed interest rate of 3.90% and a maturity date of May 15, 2028 and used the proceeds to repay a portion of the outstanding commercial paper, including amounts raised in connection with the Nutranext acquisition. Interest on the notes is payable semi-annually in May and November. The notes carry an effective interest rate of 4.02%, which includes the impact of amortizing debt issuance costs and the loss 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.

In September 2017, the Company issued \$400 of senior notes with an annual fixed interest rate of 3.10% and a maturity date of October 1, 2027, and used the proceeds to repay \$400 of senior notes with an annual fixed interest rate of 5.95% that became due in October 2017. Interest on the September 2017 senior notes is payable semi-annually in April and October. The notes carry an effective interest rate of 3.13%, 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.

NOTE 7. DEBT (Continued)**Credit arrangements**

The Company's borrowing capacity under other financing arrangements as of June 30 was as follows:

	2019	2018
Revolving credit facility	\$ 1,100	\$ 1,100
Foreign and other credit lines	39	37
Total	\$ 1,139	\$ 1,137

As of June 30, 2019 and 2018, the Company had a \$1,100 revolving credit agreement (the Credit Agreement) that matures in February 2022. There were no borrowings under the Credit Agreement as of June 30, 2019 and 2018, and the Company believes that borrowings under the Credit Agreement are and will continue to be available for general business purposes. The Credit Agreement includes certain restrictive covenants and limitations, with which the Company was in compliance as of June 30, 2019 and 2018.

Of the \$ 39 of foreign and other credit lines as of June 30, 2019, \$ 4 was outstanding and the remainder of \$ 35 was available for borrowing. Of the \$37 of foreign and other credit lines as of June 30, 2018, \$3 was outstanding and the remainder of \$34 was available for borrowing.

NOTE 8. OTHER LIABILITIES

Other liabilities consisted of the following as of June 30:

	2019	2018
Venture agreement terminal obligation, net	\$ 370	\$ 341
Employee benefit obligations	280	283
Taxes	34	52
Other	96	102
Total	\$ 780	\$ 778

Venture Agreement

The Company has an agreement with The Procter & Gamble Company (P&G) for the Company's Glad[®] bags, wraps and containers business. In connection with this agreement, P&G provides research and development (R&D) support to the Glad[®] business. As of June 30, 2019 and 2018, 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 now 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, 2019, the estimated fair value of P&G's interest was \$ 619, of which \$ 370 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 8. OTHER LIABILITIES (Continued)

Deferred Gain on Sale-leaseback Transaction

In December 2012, the Company completed a sale-leaseback transaction under which it sold its general office building in Oakland, California to an unrelated third party for net proceeds of \$108 and entered into a 15 -year operating lease agreement with renewal options with the buyer for a portion of the building. The Company deferred recognition of the portion of the total gain on the sale that was equivalent to the present value of the lease payments and will continue to amortize such amount to earnings ratably over the lease term. As of June 30, 2019 and 2018 , the long-term portion of the deferred gain of \$ 22 and \$29 , respectively, was included in Other, as noted in the table above. The Company will reclassify the remaining deferred gain from the sale-leaseback of the general office building to Retained earnings upon adoption of the new lease guidance under Topic 842 effective July 1, 2019. Refer to Note 1 for more information.

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, 2019 , the notional amount of commodity derivatives was \$ 24 , of which \$ 11 related to jet fuel swaps used for the charcoal business and \$ 13 related to soybean oil futures used for the food business. As of June 30, 2018 , the notional amount of commodity derivatives was \$34 , of which \$10 related to jet fuel swaps and \$24 related to soybean oil futures.

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 \$ 61 and \$50 , respectively, as of June 30, 2019 and 2018 .

Interest Rate Risk Management

The Company may enter into over-the-counter interest rate forward contracts to fix a portion of the benchmark interest rate prior to the anticipated issuance of fixed rate debt or to manage the Company's level of fixed and floating rate debt. These interest rate forward contracts generally have durations of less than 12 months . The interest rate contracts are measured at fair value using information quoted by U.S. government bond dealers.

During fiscal year 2018, the Company entered into, and subsequently terminated, interest rate forward contracts related to the September 2017 issuance of \$400 in senior notes and the May 2018 issuance of \$500 in senior notes (See Note 7). These contracts resulted in insignificant gains and losses to Accumulated other comprehensive net (loss) income on the consolidated balance sheets, which are being amortized into Interest expense on the consolidated statement of earnings over the 10 -year term of each of the notes.

The Company had no outstanding interest rate forward contracts as of June 30, 2019 and 2018 .

NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)***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 forward contracts for forecasted interest payments as cash flow hedges.

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

	Gains (losses) recognized in Other comprehensive income		
	2019	2018	2017
Commodity purchase derivative contracts	\$ (5)	\$ 4	\$ (3)
Foreign exchange derivative contracts	—	2	(1)
Interest rate derivative contracts	—	2	—
Total	\$ (5)	\$ 8	\$ (4)

	Gains (losses) reclassified from Accumulated other comprehensive net (loss) income and recognized in Net earnings		
	2019	2018	2017
Commodity purchase derivative contracts	\$ (2)	\$ 1	\$ (2)
Foreign exchange derivative contracts	2	(1)	(3)
Interest rate derivative contracts	(6)	(6)	(6)
Total	\$ (6)	\$ (6)	\$ (11)

The gains (losses) reclassified from Accumulated other comprehensive net (loss) income and recognized in Net earnings during the fiscal years ended June 30, 2019, 2018 and 2017, for commodity purchase and foreign exchange derivative contracts were included in Cost of products sold, and for interest rate derivative contracts were included in Interest expense.

The estimated amount of the existing net gain (loss) in Accumulated other comprehensive net (loss) income as of June 30, 2019 that is expected to be reclassified into Net earnings within the next twelve months is \$ (8). Gains and losses on derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in Net earnings. During each of the fiscal years ended June 30, 2019, 2018 and 2017, hedge ineffectiveness was not significant.

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, 2019 and 2018, \$ 1 and \$0, respectively, contained such terms. As of both June 30, 2019 and 2018, 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, 2019 and 2018, the Company and each of its counterparties had been assigned investment grade ratings by both Standard & Poor's and Moody's.

NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2019 and 2018, the Company maintained cash margin balances related to exchange-traded futures contracts of \$ 1 and \$2, respectively, which are classified as Prepaid expenses and other current assets on the consolidated balance sheets.

Trust Assets

The Company has held 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, 2019, the value of the trust assets related to the Company's nonqualified deferred compensation plans increased by \$ 10 as compared to June 30, 2018, primarily due to current year employees' contributions to these plans.

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, 2019 and 2018, 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.

NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the fair value of Company's assets and liabilities for which disclosure of fair value is required as of June 30:

Assets	Balance sheet classification	Fair value hierarchy level	2019		2018	
			Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Investments including money market funds	Cash and cash equivalents ^(a)	1	\$ 26	\$ 26	\$ 24	\$ 24
Time deposits	Cash and cash equivalents ^(a)	2	7	7	23	23
Commodity purchase swaps contracts	Prepaid expenses and other current assets	2	—	—	3	3
Foreign exchange forward contracts	Prepaid expenses and other current assets	2	—	—	2	2
Trust assets for nonqualified deferred compensation plans	Other assets	1	96	96	86	86
			<u>\$ 129</u>	<u>\$ 129</u>	<u>\$ 138</u>	<u>\$ 138</u>
Liabilities						
Notes and loans payable	Notes and loans payable ^(b)	2	\$ 396	\$ 396	\$ 199	\$ 199
Commodity purchase futures contracts	Accounts payable and accrued liabilities	1	1	1	1	1
Commodity purchase swaps contracts	Accounts payable and accrued liabilities	2	1	1	—	—
Current maturities of long-term debt and Long-term debt	Current maturities of long-term debt and Long-term debt ^(c)	2	2,287	2,402	2,284	2,269
			<u>\$ 2,685</u>	<u>\$ 2,800</u>	<u>\$ 2,484</u>	<u>\$ 2,469</u>

(a) 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.

(b) Notes and loans payable is composed of U.S. commercial paper and/or other similar short-term debt issued by non-U.S. subsidiaries, all of which are recorded at cost, which approximates fair value.

(c) 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.

NOTE 10. OTHER CONTINGENCIES AND GUARANTEES

Contingencies

The Company is involved in certain environmental matters, including response actions at various locations. The Company had recorded liabilities totaling \$ 27 and \$28 as of June 30, 2019 and 2018 , respectively, 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, 2019 and 2018 , 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 \$ 11 and \$12 of the recorded liability as of June 30, 2019 and 2018 , respectively. 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. 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, 2019 and 2018 .

The Company was a party to letters of credit of \$ 9 as of both June 30, 2019 and 2018 , primarily related to one of its insurance carriers, of which \$0 had been drawn upon.

NOTE 11. LEASES AND OTHER COMMITMENTS

The Company leases various property, plant, and equipment, including office, warehousing, manufacturing and research and development facilities, in addition to certain manufacturing and information technology equipment. The Company expects that, in the normal course of business, existing contracts will be renewed or replaced by other leases. Rental expense for all operating leases was \$ 72 , \$86 and \$84 in fiscal years 2019 , 2018 and 2017 , respectively.

The future minimum annual lease payments required under the Company's existing non-cancelable operating and capital lease agreements as of June 30, 2019 , were as follows:

Year	Operating leases	Capital leases
2020	\$ 71	\$ 2
2021	65	2
2022	50	1
2023	42	1
2024	37	1
Thereafter	124	2
Total	\$ 389	\$ 9

The Company is also 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, 2019 , the Company's purchase obligations by purchase date were as follows:

Year	Purchase Obligations
2020	\$ 77
2021	36
2022	26
2023	14
2024	11
Thereafter	—
Total	\$ 164

NOTE 12. STOCKHOLDERS' EQUITY

As of June 30, 2019, 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 replaced the prior open-market purchase program with an authorized aggregate purchase amount of up to \$750, 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:

	2019		2018		2017	
	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)
Open-market purchase program	\$ 328	2,266	\$ 95	749	\$ —	—
Evergreen Program	332	2,208	177	1,422	189	1,505
Total stock repurchases	\$ 660	4,474	\$ 272	2,171	\$ 189	1,505

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

	2019	2018	2017
Dividends per share paid	\$ 3.84	\$ 3.48	\$ 3.20

NOTE 12. STOCKHOLDERS' EQUITY (continued)
Accumulated Other Comprehensive Net (Loss) Income

Changes in Accumulated other comprehensive net (loss) income 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 (loss) income
Balance June 30, 2016	\$ (353)	\$ (44)	\$ (173)	\$ (570)
Other comprehensive income (loss) before reclassifications	(3)	(4)	27	20
Amounts reclassified from Accumulated other comprehensive net (loss) income	—	11	9	20
Income tax benefit (expense)	—	—	(13)	(13)
Net current period other comprehensive income (loss)	(3)	7	23	27
Balance June 30, 2017	(356)	(37)	(150)	(543)
Other comprehensive income (loss) before reclassifications	(20)	8	11	(1)
Amounts reclassified from Accumulated other comprehensive net (loss) income	—	6	8	14
Income tax benefit (expense)	(8)	(2)	(7)	(17)
Net current period other comprehensive income (loss)	(28)	12	12	(4)
Balance June 30, 2018	(384)	(25)	(138)	(547)
Other comprehensive income (loss) 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 income (loss)	(22)	2	4	(16)
Cumulative effect of accounting changes ⁽¹⁾	(8)	—	(31)	(39)
Balance June 30, 2019	\$ (414)	\$ (23)	\$ (165)	\$ (602)

⁽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 (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," on April 1, 2019. See Note 1 for more information.

Included in foreign currency adjustments are re-measurement losses on long-term intercompany loans where settlement is not planned or anticipated in the foreseeable future. For the fiscal years ended June 30, 2019, 2018 and 2017, Other comprehensive losses on these loans totaled \$ 3, \$9 and \$2, respectively, and there were no amounts reclassified from Accumulated other comprehensive net (loss) income for the periods presented.

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:

	2019	2018	2017
Basic	127,734	129,293	128,953
Dilutive effect of stock options and other	2,058	2,288	2,613
Diluted	<u>129,792</u>	<u>131,581</u>	<u>131,566</u>
Antidilutive stock options and other	800	1,192	11

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, 2019, the Company is authorized to grant up to approximately 7 million common shares, plus additional shares equal to shares that are potentially deliverable under an award that expire or are canceled, forfeited or settled without the delivery of shares, under the Plan. As of June 30, 2019, 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:

	2019	2018	2017
Cost of products sold	\$ 5	\$ 7	\$ 7
Selling and administrative expenses	35	42	40
Research and development costs	3	4	4
Total compensation costs	<u>\$ 43</u>	<u>\$ 53</u>	<u>\$ 51</u>
Related income tax benefit	\$ 10	\$ 16	\$ 19

Cash received during fiscal years 2019, 2018 and 2017 from stock options exercised under all stock-based payment arrangements was \$ 166, \$70 and \$81, 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 2019, 2018 and 2017 was estimated on the date of grant using the Black-Scholes valuation model and assumptions noted in the following table:

NOTE 14. STOCK-BASED COMPENSATION PLANS (Continued)

	2019	2018	2017
Expected life	5.4 years	5.5 years	5.5 years
Weighted-average expected life	5.4 years	5.5 years	5.5 years
Expected volatility	17.3% to 20.2%	15.7% to 18.7%	16.2% to 16.9%
Weighted-average volatility	17.4%	15.7%	16.9%
Risk-free interest rate	2.5% to 3.0%	1.3% to 2.6%	1.3% to 2.2%
Weighted-average risk-free interest rate	2.9%	1.8%	1.3%
Dividend yield	2.5% to 2.6%	2.4% to 3.0%	2.4% to 2.8%
Weighted-average dividend yield	2.6%	2.5%	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.

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, 2018	7,080	\$ 101	6 years	\$ 240
Granted	863	152		
Exercised	(1,951)	88		
Canceled	(248)	132		
Options outstanding as of June 30, 2019	5,744	\$ 112	6 years	\$ 235
Options vested as of June 30, 2019	3,533	\$ 97	5 years	\$ 198

The weighted-average fair value per share of each option granted during fiscal years 2019, 2018 and 2017, estimated at the grant date using the Black-Scholes option pricing model, was \$ 22.38, \$15.33 and \$13.75, respectively. The total intrinsic value of options exercised in fiscal years 2019, 2018 and 2017 was \$ 125, \$51 and \$65, respectively.

Stock option awards outstanding as of June 30, 2019, 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, 2019, there was \$ 11 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 grants receive dividend distributions earned during the vesting period upon vesting.

As of June 30, 2019, there was \$ 23 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 2019, 2018 and 2017 was \$5, \$1 and \$1, respectively. The weighted-average grant-date fair value of awards granted was \$ 152.12, \$135.29 and \$131.67 per share for fiscal years 2019, 2018 and 2017, respectively.

NOTE 14. STOCK-BASED COMPENSATION PLANS (Continued)

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, 2018	156	\$ 135
Granted	139	152
Vested	(36)	135
Forfeited	(18)	140
Restricted stock awards as of June 30, 2019	241	\$ 144

Performance Shares

As of June 30, 2019, there was \$ 9 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 \$ 151.95, \$135.47 and \$122.73 per share for fiscal years 2019, 2018 and 2017, respectively.

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, 2018	698	\$ 111
Granted	216	152
Distributed	(334)	109
Forfeited	(43)	130
Performance share awards as of June 30, 2019	537	\$ 120
Performance shares vested and deferred as of June 30, 2019	151	\$ 82

The non-vested performance shares outstanding as of June 30, 2019 and 2018 were 387,000 and 544,000, respectively, and the weighted average grant date fair value was \$ 133.10 and \$120.69 per share, respectively. During fiscal year 2019, 330,000 shares vested. Deferred shares continue to earn dividends, which are also deferred. The total fair value of shares vested was \$ 37, \$35 and \$0 during fiscal years 2019, 2018 and 2017, respectively. Upon vesting, the recipients of the grants receive the distribution as shares or, if previously elected by eligible recipients, as deferred stock.

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 2019, the Company granted 13,000 deferred stock units, reinvested dividends of 5,000 units and distributed 24,000 shares, which had a weighted-average fair value on the grant date of \$ 154.23, \$ 153.16 and \$ 82.74 per share, respectively. As of June 30, 2019, 200,000 units were outstanding, which had a weighted-average fair value on the grant date of \$ 87.47 per share.

NOTE 15. OTHER (INCOME) EXPENSE, NET

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

	2019	2018	2017
Income from equity investees	\$ (15)	\$ (12)	\$ (19)
Net periodic benefit cost ⁽¹⁾	14	—	—
Loss (gain) on sale of assets and investments, net	—	4	(11)
Interest income	(3)	(6)	(4)
Asset impairment charges	—	1	23
Amortization of trademarks and other intangible assets	17	11	10
Foreign exchange transaction (gains) losses, net	7	3	(1)
Other	(17)	(4)	8
Total	<u>\$ 3</u>	<u>\$ (3)</u>	<u>\$ 6</u>

⁽¹⁾ As a result of adopting ASU No. 2017-07, "Compensation-Retirement Benefits (Topic 715)," effective July 1, 2018, net periodic benefit cost is recorded in Other (income) expense, net for fiscal year 2019, and in Cost of products sold, Selling and administrative expenses and Research and development costs prior to fiscal year 2019. Refer to Note 1 for more details.

In January 2017, the Company sold an Australian distribution facility, previously reported in the International reportable segment, which resulted in \$23 in cash proceeds from investing activities and a gain of \$10 included in Loss (gain) on sale of assets and investments, net in the table above for the fiscal year ended June 30, 2017.

During the second quarter of fiscal year 2017, the Company recognized a \$21 non-cash charge, within the Cleaning reportable segment, related to impairing certain assets of the subsequently divested Aplicare business. The asset impairment charge is included in Asset impairment charges in the table above for the fiscal year ended June 30, 2017 and primarily related to writing down Property, plant and equipment to fair value in connection with an updated valuation of the Aplicare business.

During fiscal year 2017, the Company recognized \$14 of projected environmental costs associated with its former operations at a site in Alameda County, California within Corporate. These costs are included in Other in the table above for the fiscal year ended June 30, 2017. Refer to Note 10 for further details.

NOTE 16. INCOME TAXES

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

	2019	2018	2017
Current			
Federal	\$ 166	\$ 177	\$ 291
State	24	34	36
Foreign	34	43	38
Total current	224	254	365
Deferred			
Federal	(22)	(24)	(29)
State	(1)	3	(2)
Foreign	3	(2)	(4)
Total deferred	(20)	(23)	(35)
Total	\$ 204	\$ 231	\$ 330

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

	2019	2018	2017
United States	\$ 912	\$ 963	\$ 927
Foreign	112	91	106
Total	\$ 1,024	\$ 1,054	\$ 1,033

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

	2019	2018	2017
Statutory federal tax rate	21.0 %	28.1 %	35.0 %
State taxes (net of federal tax benefits)	1.7	2.4	2.2
Tax differential on foreign earnings	1.0	1.2	(0.6)
Federal domestic manufacturing deduction	—	(1.8)	(2.6)
Change in valuation allowance	0.1	0.3	0.2
Federal excess tax benefits	(2.3)	(1.7)	(2.0)
Reversals of deferred taxes related to foreign unremitted earnings	—	(2.6)	—
Remeasurement of deferred taxes	0.1	(3.1)	—
Other differences	(1.8)	(1.0)	(0.3)
Effective tax rate	19.8 %	21.8 %	31.9 %

The Tax Act was signed into law by the President of the United States on December 22, 2017. The Tax Act made significant changes to U.S. tax law, and included a reduction of U.S. corporation statutory income tax rates from 35% to 21%, effective January 1, 2018. Under the Tax Act, the Company was subject to an average federal statutory tax rate of 28.1% for its fiscal year ended June 30, 2018. The Company's federal statutory tax rate was 21.0% beginning in July 2018 for the fiscal year ended June 30, 2019. The Tax Act also included, among other things, a one-time transition tax on accumulated foreign earnings and the adoption of a modified territorial approach to the taxation of future foreign earnings.

NOTE 16. INCOME TAXES (Continued)

During the second quarter of fiscal year 2018, the Company made reasonable estimates of the impacts of the Tax Act and initially recorded total benefits of \$81 as provisional, as defined in Staff Accounting Bulletin No. 118, as follows:

	Adjustments	
One-time net deferred tax liability reduction	\$	60
One-time transition tax		(7)
Net total one-time tax benefit		53
Beneficial year-to-date current taxable income impact		28
Total tax benefits	\$	81

As of December 31, 2018, the Company completed its accounting for all of the enactment-date income tax effects of the Tax Act. Cumulative measurement adjustments through the second quarter of fiscal year 2019 were insignificant.

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:

	2019	2018
Deferred tax assets		
Compensation and benefit programs	\$ 100	\$ 103
Net operating loss and tax credit carryforwards	87	86
Accruals and reserves	41	28
Basis difference related to Venture Agreement	19	19
Inventory costs	22	16
Other	21	25
Subtotal	290	277
Valuation allowance	(44)	(43)
Total deferred tax assets	246	234
Deferred tax liabilities		
Fixed and intangible assets	(236)	(232)
Low-income housing partnerships	(13)	(17)
Other	(18)	(19)
Total deferred tax liabilities	(267)	(268)
Net deferred tax assets (liabilities)	\$ (21)	\$ (34)

NOTE 16. INCOME TAXES (Continued)

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:

	2019	2018	2017
Valuation allowance at beginning of year	\$ (43)	\$ (40)	\$ (37)
Net decrease/(increase) for other foreign deferred tax assets	—	—	—
Net decrease/(increase) for foreign net operating loss carryforwards and tax credits	(1)	(3)	(3)
Valuation allowance at end of year	<u>\$ (44)</u>	<u>\$ (43)</u>	<u>\$ (40)</u>

As of June 30, 2019, the Company had foreign tax credit carryforwards of \$35 for U.S. income tax purposes with expiration dates between fiscal years 2024 and 2029. Tax credit carryforwards in foreign jurisdictions of \$24 can be carried forward indefinitely. Tax benefits from foreign net operating loss carryforwards of \$19 have expiration dates between fiscal years 2020 and 2036. Tax benefits from foreign net operating loss carryforwards of \$9 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, 2019 and 2018, the total balance of accrued interest and penalties related to uncertain tax positions was \$4 and \$5, respectively. Interest and penalties related to uncertain tax positions included in income tax expense resulted in a net benefit of \$1 in fiscal year 2019, a net expense of \$1 in fiscal year 2018, and a net benefit of \$1 in fiscal year 2017.

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

	2019	2018	2017
Unrecognized tax benefits at beginning of year	\$ 47	\$ 40	\$ 37
Gross increases - tax positions in prior periods	2	2	1
Gross decreases - tax positions in prior periods	(20)	(1)	(6)
Gross increases - current period tax positions	6	8	9
Gross decreases - current period tax positions	—	—	—
Lapse of applicable statute of limitations	(3)	(2)	(1)
Settlements	(1)	—	—
Unrecognized tax benefits at end of year	<u>\$ 31</u>	<u>\$ 47</u>	<u>\$ 40</u>

Included in the balance of unrecognized tax benefits as of June 30, 2019, 2018 and 2017, were potential benefits of \$23, \$33 and \$28, 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 current 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, 2019 and 2018, 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 \$ 63, \$21 and \$31 to its domestic retirement income plans during fiscal years 2019, 2018 and 2017, 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	
	2019	2018	2019	2018
Change in benefit obligations:				
Benefit obligation as of beginning of year	\$ 593	\$ 633	\$ 38	\$ 42
Service cost	1	1	—	—
Interest cost	23	23	2	2
Actuarial loss (gain)	26	(21)	(3)	(2)
Plan amendments	—	1	—	—
Translation and other adjustments	—	(1)	—	—
Benefits paid	(39)	(43)	(3)	(4)
Benefit obligation as of end of year	604	593	34	38
Change in plan assets:				
Fair value of assets as of beginning of year	420	434	—	—
Actual return on plan assets	41	8	—	—
Employer contributions	63	22	3	4
Benefits paid	(39)	(43)	(3)	(4)
Translation and other adjustments	—	(1)	—	—
Fair value of plan assets as of end of year	485	420	—	—
Accrued benefit cost, net funded status	\$ (119)	\$ (173)	\$ (34)	\$ (38)
Amount recognized in the balance sheets consists of:				
Pension benefit assets	\$ 48	\$ 3	\$ —	\$ —
Current accrued benefit liability	(12)	(13)	(2)	(2)
Non-current accrued benefit liability	(155)	(163)	(32)	(36)
Accrued benefit cost, net	\$ (119)	\$ (173)	\$ (34)	\$ (38)

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

NOTE 17. EMPLOYEE BENEFIT PLANS (Continued)

The ABO for all retirement income plans was \$ 603 , \$592 and \$632 as of June 30, 2019 , 2018 and 2017 , respectively.

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

	ABO Exceeds the Fair Value of Plan Assets	
	2019	2018
Projected benefit obligation	\$ 167	\$ 571
Accumulated benefit obligation	166	571
Fair value of plan assets	—	395

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		
	2019	2018	2017	2019	2018	2017
Service cost	\$ 1	\$ 1	\$ 1	\$ —	\$ —	\$ —
Interest cost	23	23	22	2	2	2
Expected return on plan assets	(18)	(19)	(20)	—	—	—
Amortization of unrecognized items	9	10	11	(3)	(3)	(2)
Total	\$ 15	\$ 15	\$ 14	\$ (1)	\$ (1)	\$ —

As a result of adopting ASU No. 2017-07, “Compensation-Retirement Benefits (Topic 715),” effective July 1, 2018, net periodic benefit cost is reflected in Other (income) expense, net for fiscal year 2019, and in Cost of products sold, Selling and administrative expenses and Research and development costs prior to fiscal year 2019. Refer to Note 1 for more details.

Items not yet recognized as a component of postretirement expense as of June 30, 2019 , consisted of:

	Retirement Income	Retirement Health Care
Net actuarial loss (gain)	\$ 236	\$ (18)
Prior service benefit	—	(2)
Net deferred income tax (assets) liabilities	(56)	5
Accumulated other comprehensive loss (income)	\$ 180	\$ (15)

Net actuarial loss (gain) recorded in Accumulated other comprehensive net (losses) income for the fiscal year ended June 30, 2019 , included the following:

	Retirement Income	Retirement Health Care
Net actuarial loss (gain) as of beginning of year	\$ 242	\$ (17)
Amortization during the year	(9)	2
Loss (gain) during the year	3	(3)
Net actuarial loss (gain) as of end of year	\$ 236	\$ (18)

The Company uses the straight-line amortization method for unrecognized prior service costs and benefits. In fiscal year 2020 , the Company expects to recognize, on a pre-tax basis, \$9 of the net actuarial loss as a component of net periodic benefit cost for the retirement income plans. In addition, in fiscal year 2020 , the Company expects to recognize, on a pre-tax basis, \$3 of the net actuarial gain as a component of net periodic benefit cost for the retirement health care plans.

NOTE 17. EMPLOYEE BENEFIT PLANS (Continued)

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	
	2019	2018	2019	2018
Discount rate	3.41%	4.10%	3.35%	4.01%
Rate of compensation increase	2.86%	2.87%	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		
	2019	2018	2017
Discount rate	4.10%	3.70%	3.42%
Rate of compensation increase	2.87%	2.83%	2.92%
Expected return on plan assets	4.33%	4.43%	4.73%

	Retirement Health Care		
	2019	2018	2017
Discount rate	4.01%	3.66%	3.42%

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.

Expected Benefit Payments

Expected benefit payments for the Company's retirement income and retirement health care plans as of June 30, 2019, were as follows:

	Retirement Income	Retirement Health Care
2020	\$ 38	\$ 2
2021	51	2
2022	36	2
2023	36	2
2024	37	2
Fiscal years 2025 through 2029	186	10

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	
	2019	2018	2019	2018
U.S. equity	9%	11%	9%	11%
International equity	8%	12%	8%	12%
Fixed income	83%	74%	83%	74%
Other	—%	3%	—%	3%
Total	100%	100%	100%	100%

NOTE 17. EMPLOYEE BENEFIT PLANS (Continued)

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 by level within the fair value hierarchy, the retirement income plans' assets carried at fair value as of June 30:

	2019		
	Level 1	Level 2	Total
Cash equivalents	\$ 2	\$ —	\$ 2
Total assets in the fair value hierarchy	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 2</u>
Common collective trusts measured at net asset value			
Bond funds			\$ 393
International equity funds			50
Domestic equity funds			39
Real estate fund			1
Total common collective trusts measured at net asset value			<u>483</u>
Total assets at fair value			<u>\$ 485</u>
	2018		
	Level 1	Level 2	Total
Cash equivalents	\$ 3	\$ —	\$ 3
Total assets in the fair value hierarchy	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 3</u>
Common collective trusts measured at net asset value			
Bond funds			\$ 299
International equity funds			60
Domestic equity funds			44
Real estate fund			14
Total common collective trusts measured at net asset value			<u>417</u>
Total assets at fair value			<u>\$ 420</u>

The carrying value of cash equivalents approximated their aggregate fair value as of June 30, 2019 and 2018 .

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, 2019 and 2018 .

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 \$ 49 , \$47 and \$47 in fiscal years 2019 , 2018 and 2017 , respectively. The aggregate cost of the international defined contribution plans was \$ 4 , \$ 3 and \$ 3 for the fiscal years ended June 30, 2019 , 2018 and 2017 , respectively.

NOTE 18. SEGMENT REPORTING

The Company operates through strategic business units (SBU) that are aggregated into the following four reportable segments based on the economics and nature of the products sold:

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, such as bleach products under the Clorox[®] brand and Clorox 2[®] stain fighter and color booster; home care products, primarily under the Clorox[®], Formula 409[®], Liquid-Plumr[®], Pine-Sol[®], S.O.S[®] and Tilex[®] brands; naturally derived products under the Green Works[®] brand; and professional cleaning, disinfecting and food service products under the CloroxPro[™], Dispatch[®], Clorox Healthcare[®], Hidden Valley[®] and KC Masterpiece[®] brands.
- *Household* consists of charcoal, bags, wraps and containers, cat litter, and digestive health products marketed and sold in the United States. Products within this segment include charcoal products under the Kingsford[®] and Match Light[®] brands; bags, wraps and containers under the Glad[®] brand; cat litter products under the Fresh Step[®], Scoop Away[®] and Ever Clean[®] brands; and digestive health products under the RenewLife[®] brand.
- *Lifestyle* consists of food products, water-filtration systems and filters, natural personal care products, and dietary supplements mainly marketed and sold in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley[®], KC Masterpiece[®], Kingsford[®] and Soy Vay[®] brands; water-filtration systems and filters under the Brita[®] brand; natural personal care products under the Burt's Bees[®] brand; and dietary supplements under the Rainbow Light[®], Natural Vitality[™], and NeoCell[®] brands.
- *International* consists of products sold outside the United States. Products within this segment include laundry; home care; water-filtration systems and filters; digestive health products; charcoal; cat litter products; food products; bags, wraps and containers; natural personal care products; and professional cleaning and disinfecting products, primarily under the Clorox[®], Glad[®], PinoLuz[®], Ayudin[®], Limpido[®], Clorinda[®], Poett[®], Mistolin[®], Lestoil[®], Bon Bril[®], Brita[®], Green Works[®], Pine-Sol[®], Agua Jane[®], Chux[®], RenewLife[®], Kingsford[®], Fresh Step[®], Scoop Away[®], Ever Clean[®], KC Masterpiece[®], Hidden Valley[®], Burt's Bees[®], CloroxPro[™], and Clorox Healthcare[®] brands.

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, other investments and deferred taxes.

NOTE 18. SEGMENT REPORTING (Continued)

	Fiscal Year	Cleaning	Household	Lifestyle	International	Corporate	Total Company
Net sales	2019	\$ 2,109	\$ 1,870	\$ 1,265	\$ 970	\$ —	\$ 6,214
	2018	2,060	1,959	1,077	1,028	—	6,124
	2017	2,002	1,961	1,000	1,010	—	5,973
Earnings (losses) from continuing operations before income taxes	2019	600	316	255	96	(243)	1,024
	2018	574	370	243	84	(217)	1,054
	2017	523	419	244	81	(234)	1,033
Income from equity investees	2019	—	—	—	15	—	15
	2018	—	—	—	12	—	12
	2017	—	—	—	19	—	19
Total assets	2019	903	1,223	1,581	1,027	382	5,116
	2018	902	1,223	1,533	1,045	357	5,060
Capital expenditures	2019	49	81	39	26	11	206
	2018	60	73	22	33	6	194
	2017	76	82	30	37	6	231
Depreciation and amortization	2019	52	67	31	25	5	180
	2018	49	65	23	24	5	166
	2017	51	64	20	22	6	163
Significant non-cash charges included in earnings (losses) from continuing operations before income taxes:							
Stock-based compensation	2019	14	12	7	1	9	43
	2018	13	12	7	1	20	53
	2017	16	15	9	2	9	51

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% , 26% and 26% of consolidated net sales for each of the fiscal years ended June 30, 2019 , 2018 and 2017 , respectively, 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, for the fiscal years ended June 30:

	2019	2018	2017
Home care	19%	19%	19%
Laundry	9%	9%	9%
Professional products	6%	6%	6%
Cleaning	34%	34%	34%
Bags, wraps, and containers	13%	14%	14%
Charcoal	8%	9%	10%
Cat litter	7%	7%	7%
Digestive health	2%	2%	2%
Household	30%	32%	33%
Food products	9%	9%	9%
Natural personal care	5%	4%	4%
Water filtration	3%	3%	3%
Dietary supplements ⁽¹⁾	3%	1%	—%
Lifestyle	20%	17%	16%
International	16%	17%	17%
Total	100%	100%	100%

(1) The dietary supplements business was acquired in April 2018. See Note 2 for details.

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 Professional products SBU) and International, that accounted for 10% or more of consolidated net sales for the fiscal years ended June 30:

	2019	2018	2017
Home Care products	26%	26%	25%
Bags, wraps and containers	16%	18%	18%
Laundry additives	14%	15%	15%
Food products	10%	10%	10%
Charcoal products	9%	10%	11%

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

	Fiscal Year	United States	Foreign	Total Company
Net sales	2019	\$ 5,281	\$ 933	\$ 6,214
	2018	5,135	989	6,124
	2017	5,001	972	5,973
Property, plant and equipment, net	2019	929	105	1,034
	2018	887	109	996

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, most of which operate outside the United States. The equity investments, presented in Other assets accounted for under the equity method, were \$ 57 and \$55 as of the fiscal years ended June 30, 2019 and 2018 , 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, 2019 , 2018 and 2017 were \$ 56 , \$55 and \$62 , 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				Full Year
	September 30	December 31	March 31	June 30	
Fiscal year ended June 30, 2019					
Net sales	\$ 1,563	\$ 1,473	\$ 1,551	\$ 1,627	\$ 6,214
Cost of products sold	\$ 885	\$ 830	\$ 878	\$ 893	\$ 3,486
Earnings from continuing operations	\$ 210	\$ 182	\$ 187	\$ 241	\$ 820
Earnings (losses) from discontinued operations, net of tax	—	—	—	—	—
Net earnings	\$ 210	\$ 182	\$ 187	\$ 241	\$ 820
Net earnings (losses) per share:					
Basic					
Continuing operations	\$ 1.65	\$ 1.42	\$ 1.46	\$ 1.91	\$ 6.42
Discontinued operations	—	—	—	—	—
Basic net earnings per share	\$ 1.65	\$ 1.42	\$ 1.46	\$ 1.91	\$ 6.42
Diluted					
Continuing operations	\$ 1.62	\$ 1.40	\$ 1.44	\$ 1.88	\$ 6.32
Discontinued operations	—	—	—	—	—
Diluted net earnings per share	\$ 1.62	\$ 1.40	\$ 1.44	\$ 1.88	\$ 6.32
Dividends declared per share	\$ 0.96	\$ 0.96	\$ 0.96	\$ 1.06	\$ 3.94
Fiscal year ended June 30, 2018					
Net sales	\$ 1,500	\$ 1,416	\$ 1,517	\$ 1,691	\$ 6,124
Cost of products sold	\$ 827	\$ 807	\$ 868	\$ 947	\$ 3,449
Earnings from continuing operations	\$ 192	\$ 233	\$ 181	\$ 217	\$ 823
Earnings (losses) from discontinued operations, net of tax	—	—	—	—	—
Net earnings	\$ 192	\$ 233	\$ 181	\$ 217	\$ 823
Net earnings (losses) per share:					
Basic					
Continuing operations	\$ 1.49	\$ 1.81	\$ 1.39	\$ 1.69	\$ 6.37
Discontinued operations	—	—	—	—	—
Basic net earnings per share	\$ 1.49	\$ 1.81	\$ 1.39	\$ 1.69	\$ 6.37
Diluted					
Continuing operations	\$ 1.46	\$ 1.77	\$ 1.37	\$ 1.66	\$ 6.26
Discontinued operations	—	—	—	—	—
Diluted net earnings per share	\$ 1.46	\$ 1.77	\$ 1.37	\$ 1.66	\$ 6.26
Dividends declared per share	\$ 0.84	\$ 0.84	\$ 0.96	\$ 0.96	\$ 3.60

FIVE-YEAR FINANCIAL SUMMARY

The Clorox Company

Dollars in millions, except per share data	Years ended June 30				
	2019	2018	2017	2016	2015
OPERATIONS					
Net sales	\$ 6,214	\$ 6,124	\$ 5,973	\$ 5,761	\$ 5,655
Gross profit	2,728	2,675	2,671	2,598	2,465
Earnings from continuing operations	\$ 820	\$ 823	\$ 703	\$ 648	\$ 606
(Losses) earnings from discontinued operations, net of tax	—	—	(2)	—	(26)
Net earnings	\$ 820	\$ 823	\$ 701	\$ 648	\$ 580
COMMON STOCK					
Earnings per share					
Continuing operations					
Basic	\$ 6.42	\$ 6.37	\$ 5.45	\$ 5.01	\$ 4.65
Diluted	6.32	6.26	5.35	4.92	4.57
Dividends declared per share	3.94	3.60	3.24	3.11	2.99
Dollars in millions	As of June 30				
	2019	2018	2017	2016	2015
OTHER DATA					
Total assets ⁽¹⁾	\$ 5,116	\$ 5,060	\$ 4,573	\$ 4,510	\$ 4,154
Long-term debt ⁽¹⁾	2,287	2,284	1,391	1,789	1,786

(1) Amounts for the fiscal years ended June 30, 2016 and 2015 have been retrospectively adjusted to conform to the presentation of debt issuance costs required by ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs."

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

Dollars in millions	FY19	FY18	FY17
Earnings from continuing operations before income taxes	\$ 1,024	\$ 1,054	\$ 1,033
Add back:			
Non-cash U.S. GAAP restructuring and intangible asset impairment charges	2	2	4
Interest expense	97	85	88
Earnings from continuing operations before income taxes, non-cash U.S. GAAP restructuring and intangible asset impairment charges, and interest expense	1,123	\$ 1,141	1,125
Less:			
Income taxes on earnings from continuing operations before income taxes, non-cash U.S. GAAP restructuring and intangible asset impairment charges and interest expense ⁽²⁾	222	249	359
Adjusted after tax profit	901	892	766
Average capital employed ⁽³⁾	3,231	2,977	2,680
Less: Capital charge ⁽⁴⁾	291	268	241
Economic profit ⁽¹⁾ (Adjusted after tax profit less capital charge)	\$ 610	\$ 624	\$ 525

- (1) Economic profit (EP) is defined by the Company as earnings from continuing operations before income taxes, excluding non-cash U.S. GAAP restructuring and intangible asset impairment charges, and interest expense; less income taxes (calculated utilizing the Company's effective tax rate), 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) The tax rate applied is the effective tax rate on earnings from continuing operations, which was 19.8% , 21.8% and 31.9% in fiscal years 2019 , 2018 and 2017 , respectively.
- (3) 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 noncash U.S. GAAP restructuring and intangible asset impairment charges. 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.
- (4) 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	FY19	FY18	FY17
Total assets	\$ 5,116	\$ 5,060	\$ 4,573
Less:			
Accounts payable and accrued liabilities ⁽⁵⁾	1,033	1,000	1,002
Income taxes payable	9	—	—
Other liabilities ⁽⁵⁾	774	778	770
Deferred income taxes	50	72	61
Non-interest bearing liabilities	1,866	1,850	1,833
Total capital employed	3,250	3,210	2,740
Add back:			
After tax non-cash U.S. GAAP restructuring and intangible asset impairment charges	1	1	2
Adjusted capital employed	\$ 3,251	\$ 3,211	\$ 2,742
Average capital employed	\$ 3,231	\$ 2,977	\$ 2,680

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