



Noel Wallace

# Dear Colgate Shareholders

We are very pleased to have continued our strong, top-line growth momentum in 2022, as this was our fourth consecutive year delivering organic sales growth at or above our 3% to 5% long-term targeted range. Net sales increased 3.0%, and organic sales (excludes foreign exchange, acquisitions and divestments) grew 7.0%\* with growth in all four of our categories and across emerging and developed markets, despite a very difficult operating environment.

We maintained our strong balance sheet and the Board of Directors authorized an increase in the quarterly cash dividend. This was our 60<sup>th</sup> consecutive year of dividend increases and our 128<sup>th</sup> consecutive year paying a dividend.

As a caring, innovative growth company we are united behind our purpose: **Reimagining A Healthier Future** for all people, their pets and our planet. Our priorities remain focused on continuing our organic sales growth momentum, further strengthening and scaling our improved capabilities, increasing productivity and efficiencies to drive margin expansion, investing in our brands and our people and making progress on our sustainability and social impact goals.

## *We are executing the right strategy and driving growth across our portfolio.*

Colgate people everywhere are focused on driving sustainable, profitable growth and our strong, broad-based organic sales growth over the past four years is evidence that our strategy is working. This strategy is tightly focused around four attractive core categories—oral care, pet nutrition, personal care and home care—with many products that are backed by science and strong professional endorsements.

- We have a **focused portfolio of leading brands in growing categories** competing across multiple price tiers, which positions us well in today’s difficult macroeconomic environment.
- **Consumers use the vast majority of our products every day**, when they shower, when they clean their homes, when they feed their pets and, of course, when they brush their teeth.

- We are **elevating our professional engagement model** to be an even stronger strategic differentiator to drive advocacy behind our science and consumer loyalty. We recently established a new global team to enhance our engagement with dentists, veterinarians, dermatologists and other professionals, and drive synergies and best practices across our oral care, pet nutrition and skin health businesses.

Key to our growth strategy is accelerating science-led, core and premium innovation with a focus on more breakthrough and transformational products.

- Consumers want products with real benefits and are willing to pay a premium for them. **Science-based innovation has long been the backbone of our company.** By playing to our strengths we believe we will continue to win with consumers across our categories. At Hill’s, for example, we used cutting-edge wearable technology and our expertise in clinical research to develop Hill’s Prescription Diet Derm Complete, a breakthrough nutrition that helps manage food and environmental sensitivities in dogs.
- **Reinvigorating our larger core businesses** with upgraded formulas, new packaging and compelling new messaging across platforms is allowing us to premiumize those businesses, gain market share and drive growth. The relaunches of Colgate Total toothpaste across Asia Pacific, StaSoft fabric conditioner in South Africa and Hill’s Prescription Diet pet food in the U.S. drove organic sales growth in each of those markets in 2022.

In addition to accelerating innovation, our growth strategy centers around pursuing higher-growth adjacent categories and segments, and expanding in faster-growing channels and markets.

- We are **advancing the whitening segment with science-led innovations.** In the U.S., Colgate Optic White Pro Series toothpaste with 5% hydrogen peroxide, our highest level yet, is driving significant market share gains and, in India, our new Colgate Visible White O2 toothpaste with active oxygen technology is

\*For a reconciliation of organic sales growth to net sales growth, see page 49 of our Annual Report on Form 10-K for the year ended December 31, 2022.

establishing the whitening category in that country.

- Our sales in eCommerce, one of the fastest-growing channels in which we compete, grew double-digits in 2022 and now represent 14% of our global sales; and, **our online market shares are higher than our general market shares** in nearly all of our top eCommerce markets.

### *We are leveraging our improved capabilities across the company to drive growth.*

Our digital transformation is an ever-evolving journey as technology and consumer expectations keep advancing. We are making significant investments in this area to improve our capabilities and skill sets and are sharing expertise across the organization. While still early in our journey, we are making great progress. According to a survey performed by a leading management consulting firm, over the past two years, Colgate has moved faster and more consistently across all of their measures of digital and data-driven marketing compared to industry peers.

- We are **scaling enterprise-wide digital tools and using scorecards** to measure our progress so we can drive continuous improvement and, ultimately, improve our return on investment on everything we do from a marketing investment perspective.
- Our **teams participate in global digital summits to share best practices** across categories and geographies.
- We are **using advanced data analytics** to improve our digital media buying and content creation to optimize our return on investment across digital touchpoints.
- **Revenue Growth Management (RGM) has become a real muscle for the organization**, helping us be more efficient with our promotional spending. Underpinning this effort, we have built a dynamic RGM analytics application that is constantly being tested and iterated to ensure we are developing a truly game-changing capability.

In today's challenging cost environment, our **relentless focus on productivity** has been more important than ever.

Our 2022 Global Productivity Initiative is **generating significant savings** and we continue to accelerate our ongoing funding-the-growth cost-saving initiatives in the areas of automation, factory performance, transportation and next generation systems for demand planning. We expect even greater savings from both of these initiatives in 2023 versus 2022, which will help fund investment while driving earnings per share growth.

### *We are investing in our brands, our businesses and our people.*

To drive sustainable, profitable growth we know we have to keep an eye to the future by continuing to invest across all areas of our business. While advertising was down slightly on a dollar basis in 2022 due to negative foreign exchange, our advertising spend in local currency increased behind robust innovation activity. We **expect advertising to increase in 2023** in both dollars and as a percent to sales.

- We are **shifting investment to more compelling, equity-building messaging** across our portfolio. One of our most powerful campaigns positions Colgate as the Champion of Optimism, inspiring people to “Smile Strong.” Importantly, this type of messaging drives growth not just for toothpaste but for the entire Colgate brand. Likewise, our “Science Did That” campaign is driving significant growth across our Hill’s portfolio.
- We are **working with our customers to provide affordable options**. In most of our categories we sell products with a range of sizes and price points so our retail partners can offer products that consumers can afford, despite the difficult macroeconomic environment.

Capital spending is also an important part of our growth strategy. Capital spending increased in 2022 as we expanded capacity in fast-growing segments of our business and invested in new technologies and in our efforts to achieve our sustainability goals.

## Oral Care **43%** of Net Sales



# Science-Led Innovation Driving Our Growth



## Advances in the U.S. Whitening Segment

- Our highest level of hydrogen peroxide in a whitening toothpaste
- LED ComfortFit teeth whitening kit removes 10 years of stains in just 3 days
- Continuing market share momentum for the Optic White franchise



## Protex Pro Providing New Skin Health Benefits

- Hydrates, moisturizes and reinforces skin's defenses
- Driving premiumization and market share gains for Protex in Latin America

## Hill's Prescription Diet Derm Complete

- Breakthrough nutrition to manage food and environmental sensitivities
- Specially formulated to support skin health
- Driving market share gains in the U.S. and Europe

## ITCHY DOG? FOOD CAN HELP



## Pet Nutrition **21%** of Net Sales





**Personal Care 19% of Net Sales**



- Leveraging our balance sheet and global supply chain capabilities, in 2022, we **acquired two pet food businesses** with three manufacturing facilities in the United States and one in Europe, enabling us to meet increasing global demand for Hill's pet food much more quickly, and at a significantly lower level of investment than building that additional capacity ourselves.

When I reflect on all we have accomplished this year, I am truly inspired by the power of Colgate people to execute against our business strategies despite the many challenges we faced. Providing them with the skills and resources to succeed is of the utmost importance as we navigate today's dynamic operating environment and set ourselves up to achieve our goals in the future.

- Over the past two years, **16,000 Colgate people completed digital training and 14,000 completed data literacy training.**

We are also expending substantial resources to evolve our culture, including educating, measuring and transparently reporting on our progress in **creating an inclusive and diverse organization.** We truly believe a diverse and inclusive culture strengthens our business results.

- 100% of our managers receive **unconscious bias and allyship training** to understand and remove biases both in themselves and in others, and to learn how they can be inclusive leaders and champion diverse and underrepresented people.
- You can learn more about our Global Diversity, Equity & Inclusion (DE&I) Strategy and our progress in this area in our **DE&I Report** available on our website at [www.colgatepalmolive.com/sustainability](http://www.colgatepalmolive.com/sustainability).

*We are reimagining a healthier, more sustainable future for all.*

With the Colgate brand in more homes than any other,

we feel a strong responsibility to make the world a better place. Sustainability is incorporated into all aspects of our business and 2022 was another year of key accomplishments in this area.

- We have ambitious goals to accelerate action on climate change and are proud that we were the first large multinational company in our sector to have our **Net Zero targets approved by the Science Based Targets initiative**, the global gold standard for evaluating and approving climate targets.
- Since introducing our first-of-its-kind recyclable toothpaste tube in 2019, as of December 31, 2022, we have **transitioned over 40% of our toothpaste SKUs globally to recyclable tubes** and continue to share the technology with third parties to encourage recyclability of all tubes in practice and at scale.
- You can read more about our **2025 Sustainability & Social Impact Strategy** and our progress against our sustainability targets on page 6 of this report and on our website at [www.colgatepalmolive.com/sustainability](http://www.colgatepalmolive.com/sustainability).

### Looking ahead

We are beginning 2023 with optimism, confidence and purpose. Aligned behind a proven strategy with strong growth momentum, we are well positioned to deliver sustainable, profitable growth in 2023 and beyond. As we move ahead together, I would like to thank all Colgate people for their extraordinary commitment to achieving our goals, and express appreciation for the support of our consumers, customers, suppliers, shareholders and Board of Directors.



Noel Wallace  
Chairman, President and Chief Executive Officer

## Home Care 17% of Net Sales

