Triodos Investment Management

THE PROCTER & GAMBLE COMPANY

MEETING DATE	Tue, 10 Oct 2017 9:00 am	TYPE	AGM	ISSUE DATE	Fri, 29 Sep 2017
MEETING LOCATION	1 Procter & Gamble Plaza, Cincinnati, Ohio 45202				
CURRENT INDICES	S&P500				
SECTOR	Soap, detergents, and cleaning preparations; perfumes, cosmetics, and other toilet preparations				

	PROPOSALS	ADVICE
1.01	**Re-elect Francis S. Blake** Independent Non-Executive Director.	**For**
1.02	**Re-elect Angela F. Braly** Independent Non-Executive Director.	**For**
1.03	**Elect Amy L. Chang** Independent Non-Executive Director.	**For**
1.04	**Re-elect Kenneth I. Chenault** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.05	**Re-elect Scott D. Cook** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.06	**Re-elect Terry J. Lundgren** Independent Non-Executive Director.	**For**
1.07	**Re-elect W. James McNerney, Jr.** Lead Director. Not considered independent due to tenure. Given the combined positions at the head of the Company, the function of a Lead Independent Director is of greater importance. It is therefore considered that a Lead Independent Director should be independent, in order to fulfil the responsibilities assigned to that role. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.08	**Re-elect David S. Taylor** Chairman and CEO. Combined roles at the head of the Company. There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal. Triodos opposes this resolution.	**Oppose**
1.09	**Re-elect Margaret C. Whitman** Non-Executive Director. Not considered independent owing to an aggregate tenure of over nine years as before being re-appointed to the Board in 2011, she served as a director between 2003 and 2009.	**Oppose**
1.10	**Re-elect Patricia A. Woertz** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1.11	**Re-elect Ernesto Zedillo** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**

2 **Appoint the Auditors** **Oppose**

Deloitte proposed. Non-audit fees represented 3.19% of audit fees during the year under review and 3.70% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. However, the current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Triodos opposes this resolution.

3 **Advisory Vote on Executive Compensation** **Oppose**

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: CDC.The CEO's fiscal 2017 annual bonus pay-out is considered excessive at 255% of salary, being above the acceptable threshold of 200% of salary. ESG factors are not linked to the annual bonus. PSP grants vest at the end of a three year performance period; however, a five year performance period is considered best practice. Executive Compensation is not aligned with peer-group averages. Performance measures attached to the annual bonus are also replicated under the PSP raising concenrs that executives are being rewarded twice for the same performance. The CEO's long term incentive awards are considered excessive at 764% of salary.

Triodos opposes this resolution.

4 **Approve the Frequency of Future Advisory Votes on Executive Compensation** **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually.

Triodos recommends a one year frequency.

5 Shareholder Resolution: Adopt Holy Land Principles **Oppose**

Proposed by: Holy Land Principles Inc.

The Proponent requests that the Board make all possible lawful efforts to implement and/or increase activity on each of the eight Holy Land Principles.

Proponent's Supporting Argument: The Proponent argues that the Company has operations in Palestine/Israel. The Proponent argues that implementation of the Holy Land Principles-which are pro-Jewish, pro-Palestinian and pro-company-will demonstrate concern for human rights and equality of opportunity in its international operations.

Board's Opposing Argument: The Board recommends shareholders oppose and argues that the core company principles include treating everyone with respect, with global policies and practices that are already substantially consistent with the intent of the Holy Land Principles proposal. The Company's global policy on non-discrimination prohibits discrimination based on race, gender, color, religion, national origin, age, sexual orientation, disability, or other non-job-related personal characteristics. The Board states that the Company has a Human Rights Policy Statement guided by the United Nations Guding Principles for Business and Human Rights. P&G also supports external advocacy efforts that promote extending non-discrimination workplace protection to all employees. The Board argues that adoption of the proposal would require the Company to maintain two duplicative set of policies-one for the Company's Israel operations and one for the rest of the world. Accordingly, the Board believes that the adoption of the principles set forth in the proposal, along with the associated reporting requirements, would impose an unnecessary administrative burden and expense on P&G, without benefiting the Company or its shareholders.

6 **Shareholder Resolution: Report on Application of Company Non-Discrimination Policies in States with Pro-Discrimination Laws** **Oppose**

Proposed by: NorthStar Asset Management Inc. Funded Pension Plan.

The Proponent requests that the Company issue a public report to shareholders, employees, customers, and public policy leaders, omitting confidential information and, at a reasonable expense, by April 1, 2018, detailing the known and potential risks and costs to the Company caused by any enacted or proposed state policies supporting discrimination against LGBT people, and detailing strategies above and beyond litigation or legal compliance that the Company may deploy to defend the Company's LGBT employees and their families against discrimination and harassment that is encouraged or enabled by the policies.

Proponent's Supporting Argument: Procter & Gamble (P&G) has numerous documents and policies regarding non-discrimination, and states that 'we want to be, and be recognized as, the Global Leader in Diversity & Inclusion.' However, "Religious freedom bills," which explicitly discriminate against LGBT (lesbian, gay, bisexual, transgender) individuals, have been enacted or proposed in much of the United States, including in states with P&G employees such as Mississippi, Tennessee, and North Carolina. Shareholders recommend that the report evaluate risks and costs including, but not limited to, negative effects on employee hiring and retention, challenges in securing safe housing for employees, risks to employees' LGBT children and risks to LGBT employees who need to use public facilities, and litigation risks to the Company from conflicting state and company anti-discrimination policies. Strategies evaluated should include public policy advocacy, human resources and educational strategies, and the potential to relocate operations or employees out of states with discriminatory policies (evaluating the costs to the Company and resulting economic losses to pro-discriminatory states).

Board's Opposing Argument: While the Company fully support diversity and non-discrimination, as described above, it believes the report would not be a productive use of Company resources. The request is framed so broadly and vaguely that the Board believes it would be virtually impossible for the Company to fulfill. "Enacted and proposed state policies" could include not only the laws in fifty states, but also proposed bills, legislation in committee, and the administrative policies of state governmental bodies. It is also not clear how the Company can quantify all the undefined "potential risks and costs" of the legislation described in the proposal. For example, how would the Company quantify the risk and cost of potential loss of diversity in its talent pool in states with enacted or proposed policies? The Board believes the Company's efforts are better spent promoting diversity and supporting external advocacy efforts. P&G's commitment to diversity and inclusion has already been clearly demonstrated by both effective action and transparency about our position and actions taken in support of it. Accordingly, the requested report is unnecessary and would not provide meaningful information to shareholders.

7 Shareholder Resolution: Report on Risks of Doing Business in Conflict-Affected Areas For

Proposed by: Heartland Initiative, Inc.

The Proponent requests that the Company assess and report to shareholders on the Company's approach to mitigating the heightened ethical and business risks associated with procurement, investment and other business activities in conflict-affected areas, including situations of occupation. The report should assess whether additional policies are needed to supplement P&G's Human Rights Policy or Sustainability Guidelines for External Business Partners with specific rules or procedures enabling the Company to avoid supply chain or operational involvement in activities in conflict-affected areas that violate international humanitarian law.

Proponent's Supporting Argument: The Proponent believes that it is in the Company's best interest, advancing its corporate reputation and human rights leadership, to establish such policies that would be applicable to any conflict theater in which the Company and its subsidiaries may operate, procure materials and services. In the Company's discretion, the report may exclude discussion of areas addressed in its conflict minerals policy.

Board's Opposing Argument: The Board recommends shareholders oppose and argues that the Company has implemented a number of global policies that address how the Company mitigates ethical and business risks, including conflict-affected areas. The Board also makes reference to its Human Rights Policy Statement and its Worldwide Business Conduct Manual which articulates the core global standards all employees are expected to follow in daily operations and outlines legal and ethical responsibilities to customers, fellow employees, suppliers, and shareholders, and to the communities. The Board states that a report on the Company's approach to mitigating ethical and business risks associated with procurement and other activities specifically within conflict-affected areas, as requested by the proposal, would be duplicative of these existing global policies and would not provide meaningful value to shareholders.

8 Shareholder Resolution: Repeal Certain Amendments to Regulations **Oppose**

Proposed by: Trian Partners.

The Proponent seeks the repeal of any provision or amendment of the Regulations of the Company adopted by the Board of Directors and not by the Corporation's shareholders subsequent to April 8 2016 and prior to the approval of the resolution.

Supporting Argument: The Proponent states that Pursuant to Article VIII of the Regulations, the Board has the power to alter, amend, add to or repeal the Regulations of the Company. As of the date of Trian's definitive proxy statement, the Trian Group is not aware of any decision by the Board to adopt, amend or repeal any provision of the Regulations since April 8, 2016, but it is possible that the Board may have done so, or that following the date of [Trian's definitive] proxy statement and prior to the adoption of this resolution, such an amendment could be adopted by the Board and/or become effective. Such an amendment could negatively impact the Trian Group's ability to solicit and/or obtain proxies from shareholders of the Company or otherwise adversely affect the ability of the Company's shareholders to vote on Proposal 1 (to elect Nelson Peltz - White Proxy), and the Trian Group would like to ensure that the Company's shareholders have the ability to elect its Nominee at the 2017 Annual Meeting.

Opposing Argument: The Board states that the proposal seeks to repeal any provisions or amendments of the Company's Regulations adopted without shareholder approval after April 8, 2016 and prior to the Company's 2017 Annual Meeting, without regard to the subject matter of any provisions or amendment of the Company's Regulations in question. The Board states that no provisions or amendments to the Company's regulations have been adopted subsequent to April 8 2016. While the Board does not currently expect to adopt any amendments to the Regulations prior to the Company's 2017 annual meeting, The Board believes that the automatic repeal of any amendment of the Company's Regulations, irrespective of its content, duly adopted by the Board (whether with or without shareholder approval) could have the effect of repealing one or more properly adopted amendments of the Company's Regulations that the Board determined to be in the best interests of the Company and its shareholders and adopted in furtherance of its fiduciary duties, including in response to future events not yet known to the Company. Furthermore, as a public company subject to the federal proxy rules, it might be impracticable - if not impossible - for the Company to obtain shareholder approval for a necessary amendment to the Company's Regulations within a timeframe necessary to serve the best interests of the Company and its shareholders.

Analysis: The proposal to repeal any amendment without regard to the subject matter of such an amendment is considered over-reaching. Such a proposal, if approved could interfere with the proper exercise of the Company's right under the Company's governing duties and/ or relevant laws. Best practice would be to seek the repeal of a particular amendment.

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: C- The Company's compensation program consists of the Short-Term Achievement Reward (STAR), and two long-term incentive equity programs: the Performance Stock Program (PSP) and the Long-Term Incentive Program (LTIP). STAR payouts are determined based on an assessment of performance against Business Unit performance factors, total company performance factors and a transformation factor. Targets are not clearly disclosed. PSP awards are linked to performance against organic sales growth, constant currency, core EPS and Adjusted Free Cash Flow goals. It is noted that prospective and retrospective disclosure of targets is provided.

Balance: D- The CEO's fiscal 2017 annual bonus pay-out is considered excessive at 255% of salary, being above the acceptable threshold of 200% of salary. ESG factors are not linked to the annual bonus. PSP grants vest at the end of a three year performance period; however, a five year performance period is considered best practice. Executive Compensation is not aligned with peer-group averages. Performance measures attached to the annual bonus are also replicated under the PSP raising concenrs that executives are being rewarded twice for the same performance. The CEO's long term incentive awards are considered excessive at 764% of salary.

Contract: C- The Company does not have any employment contracts with its NEOs that require severance payments upon termination of their employment. The only situation in which a separation allowance may be paid is if an employee is encouraged to separate from the Company upon which the Company has discretion to pay up to one year's salary. Definitions of 'good reason' and 'cause' are not provided. PSP awards are paid out 'at target' for a change in control, which could lead to excessive payments in a change in control scenario.

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