Triodos Investment Management

THE PROCTER & GAMBLE COMPANY

MEETING DATE	Tue, 08 Oct 2019 0:00:08 am	TYPE	AGM	ISSUE DATE	Mon, 23 Sep 2019
MEETING LOCATION	1 Procter & Gamble Plaza, Cincinnati, OH 45202				
CURRENT INDICES	S&P500				
SECTOR	Soap, detergents, and cleaning preparations; perfumes, cosmetics, and other toilet preparations				

	PROPOSALS	ADVICE
1a	**Elect Francis S. Blake** Independent Non-Executive Director.	**For**
1b	**Elect Angela F. Braly** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
1c	**Elect Amy L. Chang** Independent Non-Executive Director.	**For**
1d	**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. Triodos opposes this resolution.	**Oppose**
1e	**Elect Joseph Jimenez** Independent Non-Executive Director.	**For**
1f	**Elect Terry J. Lundgren** Non-Executive Director. Not considered independent as the director is considered to be connected with a significant shareholder: BlackRock. Long-Term Private Capital is a BlackRock private equity fund. There is insufficient independent representation on the Board.	**Oppose**
1g	**Elect Director Christine M. McCarthy** Independent Non-Executive Director.	**For**
1h	**Elect W. James McNerney, Jr.** Lead Independent Director. Not considered independent owing to a tenure of over nine years. It is considered that a Lead Independent Director should be independent, in order to fulfil the responsibilities assigned to that role. Triodos opposes this resolution.	**Oppose**
1i	**Elect Nelson Peltz** Independent Non-Executive Director.	**For**
1j	**Elect David S. Taylor** Chair 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.	**Oppose**
1k	**Elect Margaret C. Whitman** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1l	**Elect Director 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.	**Oppose**

2 Appoint the Auditors **Oppose**

Deloitte proposed. Non-audit fees represented 2.74% of audit fees during the year under review and 3.33% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

3 Advisory Vote on Executive Compensation **Oppose**

The Company has failed to provide the fees it paid the Compensation Consultants. The performance metrics used to award the Annual bonus have not been disclosed. The performance-based long term incentive is subject to quantified performance targets.The Company uses adjusted performance metrics for most elements of compensation. The Company does not consider non-financial metrics in its assessment of performance. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance.The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. 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.
Triodos opposes this resolution.

4 Approve New Omnibus Plan **Oppose**

The Plan is presented as an omnibus plan, which means that bundled within the same official plan there are various incentive plan elements aimed at rewarding different groups of employees, officers and executives. However, it is noted that the Compensation Committee retains the power to select employees to receive awards and determine the terms and conditions of awards (and also note that 'management employees' appear most likely to be the principal beneficiaries of the Plan).
Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: C - The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The performance metrics used to award the Annual bonus have not been disclosed. The performance-based long term incentive is subject to quantified performance targets.

Balance: D - The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The Company does not consider non-financial metrics in its assessment of performance. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered the best practice. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short

term. Five-year vesting would be preferred. Executive compensation is not aligned with peer group averages.
Contract: C - Cash severance is limited to three times base salary; which is welcomed. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

For Private Circulation only

Researcher: Adam Garside
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

Regulated by the Financial Conduct Authority