Triodos Investment Management

THE PROCTER & GAMBLE COMPANY

MEETING DATE	Tue, 13 Oct 2020 12:00	TYPE	AGM	ISSUE DATE	Tue, 29 Sep 2020
MEETING LOCATION	Virtual Only Meeting: www.virtualshareholdermeeting.com/PG2020				
CURRENT INDICES	S&P500				
SECTOR	Soap, detergents, and cleaning preparations; perfumes, cosmetics, and other toilet preparations				
FYE	30 Jun 2020				

	PROPOSALS	ADVICE
1a	**Elect Director Francis S. Blake** Independent Non-Executive Director.	**For**
1b	**Elect Director Angela F. Braly** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.She is member of the audit committee, and she is not independent which does not meet Triodos guidelines.	**Oppose**
1c	**Elect Director Amy L. Chang** Independent Non-Executive Director.	**For**
1d	**Elect Director Joseph Jimenez** Independent Non-Executive Director.	**For**
1e	**Elect Director Debra L. Lee** Independent Non-Executive Director.	**For**
1f	**Elect Director 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 sufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1g	**Elect Director Christine M. McCarthy** Independent Non-Executive Director.	**For**
1h	**Elect Director W. James McNerney, Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is a member of the audit committee and he is not independent which does not meet Triodos guidelines.	**Oppose**
1i	**Elect Director Nelson Peltz** Independent Non-Executive Director.	**For**
1j	**Elect Elect Director 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. Triodos opposes this resolution.	**Oppose**
1k	**Elect Director 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. There are concerns over the director's potential time commitments, and the director could not prove full attendance of board and committee meetings during the year. Triodos opposes this resolution.	**Oppose**

1l Elect Director Patricia A. Woertz **Oppose**

Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. Chair of audit committee and the nominee is not considered independent.
Triodos opposes this resolution.

2 Appoint the Auditors **Oppose**

Deloitte proposed. Non-audit fees represented 2.37% of audit fees during the year under review and 2.69% 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 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 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 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 compensation rating is: BDC
Triodos opposes this resolution.

4 Approve Qualified Employee Stock Purchase Plan **For**

It is proposed to approve the Procter & Gamble Company International Stock Ownership Plan (A&R Plan). The A&R Plan is an employee stock ownership plan that permits eligible employees located outside of the United States to purchase shares of The Procter & Gamble Company ("P&G") through payroll deductions and receive a matching cash contribution from their local employer equal to a designated portion of their contribution. The A&R Plan authorizes the issuance of 30 million shares of P&G common stock (the "Shares") under the plan. These Shares are purchased on the New York Stock Exchange (NYSE) with the payroll deductions and matching contributions. Because the Shares are purchased on the NYSE, the A&R Plan does not dilute the value of current shares outstanding. Participation in this broad-based plan is generally available to approximately 64,000 employees around the world (excluding the United States). Non-employee Directors and executive officers may not participate. In 2019, more than 39,000 employees in 60 countries participated, representing 60% of employees who are eligible to participate, and purchased approximately 2.7 million shares. As the proposed plan is open to all employees on an equal basis and has a strong participation rate, a vote in favour is recommended.

5 Shareholder Resolution: Report on Efforts to Eliminate Deforestation **For**

Proponent's argument: Green Century Equity Fund proposes that the company (hereafter, PG) issue a report assessing if and how it could increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains. PG lists potential reputational damage from the real and perceived environmental impacts of its products as a risk factor in its 2019 10-K. The company received negative attention from 115 NGOs for sourcing pulp from forests that serve as a substantial global carbon sink. PG also received unfavorable coverage from media, including major outlets like Reuters, for failing to meet its 2020 zero-deforestation palm oil goal. Chain Reaction Research calculates PG's potential reputational losses at $41 billion, or 14 percent of equity, which "dwarfs the cost of solutions." PG's peers have adopted and implemented stronger forest sourcing policies: Kimberly-Clark, one of the world's largest buyers of market pulp, has committed to halve its sourcing from natural forests, dramatically increasing the use of alternative and environmentally-preferred fibers. Kimberly-Clark regularly reports progress and appears on track to meet its targets. Unilever has committed to zero-net deforestation by 2020 in its supply chains and will sustainably source 95 percent of 12 key crops-including palm oil and paper/board-by the end of 2020. PG was rated below these peers by both Forest 500 and CDP Forest and as "high risk" by SCRIPT, a soft commodity risk analysis tool. Proponents defer to management's discretion on the content of the report but suggest that indicators meaningful to shareholders may include: Whether the company has adopted a no-deforestation and no-degradation policy for all relevant commodities, such as avoiding intact forests and regions at high-risk for deforestation and degradation; and Disclosure of progress toward any stepped-up efforts, such as quantitative progress reports, time-bound action plans, and non-compliance protocols.

Company's response:

PIRC analysis: Risks deriving from deforestation can have significant reputational and financial consequences for a company and it is in the best interests of shareholders to be informed of the company's exposure to and management of such risks. While the company indicates that it uses only responsibly sourced palm oil and palm kernel oil, and committed to sourcing our palm and palm derivatives in a manner that does not contribute to deforestation and that respects the rights of workers and indigenous peoples, it does not disclose the risks to which the company might be exposed regarding additional consequences from deforestation, also in light of more frequent severe weather events, as a consequence of climate change. Ensuring that suppliers are using sources responsibly is considered to be due diligence, in order to uphold company's policies on the environmental and human rights impacts from their operations and minimize corresponding risks. As such, a vote for the resolution is recommended.

6 Shareholder Resolution: Publish Annually a Report Assessing Diversity and Inclusion Efforts **For**

Proponent's argument: As You Sow request that Procter and Gamble Co. ("P&G") publish annually a report assessing the company's diversity and inclusion efforts, at reasonable expense and excluding proprietary information. At a minimum the report should include: the process that the Board follows for assessing the effectiveness of its diversity and inclusion programs, the Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees. Investors seek quantitative, comparable data to understand the effectiveness of the company's diversity, equity, and inclusion programs. 'On its website, P&G states "We know the importance of diversity in the workplace. That's why we attract, hire, and keep diverse people on our team so that we can better understand our world and our consumers. To keep that talent here, we're creating opportunities and investing in plans for hiring, retaining, and developing them-to the executive level." However P&G provides no quantitative data or meaningful statistics that allow investors to determine the effectiveness of its human capital management as it relates to workplace diversity. Stakeholders may become concerned that P&G's statements are corporate puffery, language described by the United States Federal Trade Commission as marketing exaggerations intended to "puff up" products and not able to be relied upon by consumers and investors.'

Company's response: The board recommends a vote against this proposal: the Chief Executive Officer, Chief Human Resources Officer, and the Chief Diversity & Inclusion Officer routinely evaluate progress on various measures of diversity and work with the executives and managers to ensure accountability and intervene where appropriate. We have made meaningful progress in the diversity of the organization as we focus on recruiting and retaining diverse talent. We also provide critical capability building learning and experiences for employees across job levels that help them better leverage equality and inclusion to build the business, understand and increase their awareness of unconscious bias, create more inclusive environments within their teams, and ultimately create even more inclusive organizations. We see this oversight and accountability reflected in the businesses, where more diverse teams are leading the creation and development of superior products, packaging, communications, and retail strategies that reflect culturally relevant insights and better meet the needs of consumers. Similarly, the company states to strive to accurately and authentically portray all people through brand communications and ensure the company's advertising resonates with and drives growth among diverse consumer groups, including Black, Hispanic, and Asian American consumers. 50% of the Director nominees in the proxy statement are women, that 50% of the company's Sector Business Unit CEOs are women, that 57% of the company's current executive officers (as listed in our most recent Annual Report) are women, and that we recently achieved 48% representation of women at the manager level in our global workforce. 90% of employees agreed that P&G is doing its part to help build a world free of gender bias.

PIRC analysis: The requested report will provide shareholders with information on the company's efforts in relation to workforce diversity. While the company's response describes the diversity initiatives it is involved in, satisfying one part of the proponent's request, it gives data only on the total make-up of its workforce as regards gender and people of colour, and manages to avoid any such disclosures for senior management, despite saying that it has increased recruitment in this area. Listing other areas of diversity which are not covered by EEOC data requirements as a reason for not disclosing EEOC data should be used to offer to improve upon the proponent's request by disclosing all areas of diversity. A specific report on the gender and ethnic make-up of the company's workforce and a description of the policies and programmes for fostering diversity of employees would enable investors to assess the company's exposure to reputation al and human resource risk surrounding the issue of diversity. The request for a report is considered reasonable and a vote for the resolution is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: B - 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.The company has provided the level of fees paid to the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency.

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 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. '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. Change-in-control payments are subject to double-trigger provisions.

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