



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

August 19, 2022

Kerry S. Burke
Covington & Burling LLP

Re: The Procter & Gamble Company (the "Company")
Incoming letter dated June 3, 2022

Dear Kerry S. Burke:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by Myra K. Young for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests that a specified board committee annually report all stock distributed to employees, directors and consultants under compensation plans approved by shareholders, which should include a matrix, sorted by an appropriate classification scheme with five or more categories chosen by the committee, showing aggregate amounts of stock ownership distributed and utilized, including associated voting power, if any.

There appears to be some basis for your view that the Company may exclude the Proposal under Rule 14a-8(i)(7). In our view, the Proposal relates to, and does not transcend, ordinary business matters. Accordingly, we will not recommend enforcement action to the Commission if the Company omits the Proposal from its proxy materials in reliance on Rule 14a-8(i)(7).

Copies of all of the correspondence on which this response is based will be made available on our website at <https://www.sec.gov/corpfin/2021-2022-shareholder-proposals-no-action>.

Sincerely,

Rule 14a-8 Review Team

cc: John Chevedden

COVINGTON

BEIJING BRUSSELS DUBAI FRANKFURT JOHANNESBURG
LONDON LOS ANGELES NEW YORK PALO ALTO
SAN FRANCISCO SEOUL SHANGHAI WASHINGTON

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June 3, 2022

By Electronic Mail

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

**Re: The Procter & Gamble Company — Shareholder Proposal Submitted
by Myra K. Young**

Ladies and Gentlemen:

On behalf of The Procter & Gamble Company (the “Company”), we are submitting this letter pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934 (the “Exchange Act”) to request confirmation from the staff of the Division of Corporation Finance (the “Staff”) that it will not recommend enforcement action to the U.S. Securities and Exchange Commission (the “SEC” or “Commission”) if the Company excludes a shareholder proposal (the “Proposal”) submitted by Myra K. Young (collectively with her designated representative, John Chevedden, the “Proponent”) from the proxy materials for its 2022 annual meeting of shareholders. A copy of the Proposal, which requests that the Company annually disclose all stock distributed to employees, directors and consultants, and the cover letter to the Proposal are attached hereto as Exhibit A.

In accordance with Staff Legal Bulletin No. 14D (Nov. 7, 2008), we are emailing this letter to the Staff at shareholderproposals@sec.gov. We are simultaneously sending a copy of this letter to the Proponent as notice of the Company's intent to omit the Proposal from its 2022 proxy materials in accordance with Exchange Act Rule 14a-8(j). We take this opportunity to inform the Proponent that a copy of any correspondence they submit to the Commission or the Staff with respect to the Proposal should be provided concurrently to the Company pursuant to Rule 14a-8(k) and Staff Legal Bulletin No. 14D, and request that a copy also be provided to the undersigned at the address above.

THE PROPOSAL

The Proposal states:

Resolved: Procter & Gamble (“Company”) shareholders request the Board’s Compensation & Leadership Development Committee (“Committee”) report annually all stock distributed to employees, directors and consultants under compensation plans approved by shareholders. The report should include a matrix, sorted by an appropriate classification scheme with five or more categories chosen by the Committee, showing aggregate amounts of stock ownership distributed and utilized, including associated voting power, if any. The Committee should issue the report before or concurrent with the next annual proxy statement.

BASIS FOR EXCLUSION

We request that the Staff concur in our view that the Proposal may be excluded from the Company’s 2022 proxy materials pursuant to Rule 14a-8(i)(7), because the Proposal relates to the Company’s ordinary business operations.

ANALYSIS

I. The Proposal should be excluded under Rule 14a-8(i)(7) because it seeks to deal with a matter relating to the Company’s ordinary business operations

Rule 14a-8(i)(7) permits the exclusion of a shareholder proposal from a company’s proxy materials if the proposal “deals with a matter relating to the company’s ordinary business operations.” The Commission has stated that the purpose of the ordinary business exception is “to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting.” *Amendments to Rules on Shareholder Proposals*, SEC Rel. No. 34-40018 (May 21, 1998) (the “1998 Release”). The Commission has further stated that exclusion is appropriate where the proposal concerns tasks that are “so fundamental to management’s ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight.” *Id.*

Staff Legal Bulletin No. 14E (Oct. 27, 2009) (“SLB 14E”) provides that, when analyzing a proposal to determine its underlying concern or central purpose, the Staff looks not only to the resolved clause, but to the supporting statement and the proposal in its entirety. This position is not only expressed in SLB 14E, but also in Staff Legal Bulletin No. 14C (June 28, 2005), which states that the Staff will consider both the resolved clause and the supporting statement as a whole when analyzing a proposal for which exclusion is sought under Rule 14a-8(i)(7).

A. The Proposal should be excluded under Rule 14a-8(i)(7) because it is focused on employee compensation, which is an ordinary business matter

The focus and subject matter of the Proposal is employee compensation, which is an ordinary business matter. The Commission stated in the 1998 Release that a company’s “management of [its] workforce, such as the hiring, promotion, and termination of employees” is a core ordinary business matter. The Staff further stated in Staff Legal Bulletin No. 14A (July 12, 2002) (“SLB14A”) that it agreed “with the view of companies that they may exclude

proposals that relate to general employee compensation matters in reliance on [R]ule 14a-8(i)(7).”¹

The language of the resolved clause and supporting statement of the Proposal demonstrate that the Proposal is focused on general employee compensation. The Proposal requests that the Company’s Compensation & Leadership Development Committee (the “Committee”) annually issue a report that discloses all stock distributed to employees, directors and consultants² under compensation plans approved by shareholders.³ The Proponent’s stated purpose for requesting that the Company prepare such an annual employee stock distribution and ownership report is to expand “the Committee’s perspective *beyond executive compensation*” to the focus of the Proposal: employee compensation, specifically employee compensation in the form of stock. (Emphasis added). The Proposal notes that “the report should include a matrix, sorted by an appropriate classification scheme with five or more categories chosen by the Committee, showing aggregate amounts of *stock ownership distributed and utilized*, including associated voting power, if any.” (Emphasis added). The Proposal also states that the Company “should educate and promote ownership plans” and “track and disclose” employee stock compensation information in each case to “create an ownership culture for all employees.” The supporting statement to the Proposal includes numerous references to employee compensation, which reinforces the Proposal’s overall focus on one component of employee compensation, stock ownership.

The Proposal specifically states that it is *not* concerned with executive compensation as it refers to expanding “the Committee’s perspective *beyond executive compensation*”. (Emphasis added). The Staff has long distinguished proposals that relate to general employee compensation from proposals “that concern *only* senior executive and director compensation.” (Emphasis in original). See SLB14A. Proposals that concern *only* senior executive and director compensation are generally not excludable under Rule 14a-8(i)(7). Here, the Proposal by its terms is clearly focused on general employee compensation. The Staff has permitted the exclusion of proposals under Rule 14a-8(i)(7) where the proposal “relates to compensation that may be paid to employees generally and is not limited to compensation that may be paid to senior executive officers and directors.” See *3M Co.* (Jan. 8, 2018); *Apple Inc.* (Nov. 16, 2015); and *Kohl’s Corp.* (Feb. 27, 2015).

The Commission and Staff have recognized that employee compensation is an ordinary business matter that is within the purview of the Company’s board of directors and is fundamental to management’s ability to run the Company on a day-to-day basis. The Proposal clearly focuses on Company employee compensation matters and is therefore excludable under Rule 14a-8(i)(7).

¹ See also *Baxter International Inc.* (Jan. 6, 2016) and *The Coca-Cola Co.* (Jan. 8, 2014) where the Staff explained that “[p]roposals that concern general employee compensation matters are generally excludable under rule 14a-8(i)(7).”

² The Proposal’s sole passing reference to “directors and consultants” does not change the focus of the Proposal, given the clear and convincing emphasis on employee compensation matters throughout the entire Proposal.

³ The Proposal refers, without further clarification, to “stock” distributed and awarded to employees. We assume for purposes of this no-action letter that the Proposal’s references to “stock” encompass the Company’s common stock and other awards that are based on or denominated in the Company’s common stock.

B. Exclusion of the Proposal under Rule 14a-8(i)(7) would be consistent with other no-action letters relating to ordinary business operations

The Staff has long permitted the exclusion of proposals that concern stock-based compensation, since such proposals implicate a company's general compensation of its employees. *See Omeros Corp.* (Jan. 25, 2017) (proposal requesting the board implement a temporary salary reduction combined with a stock grant program for key employees was excludable under Rule 14a-8(i)(7) as the proposal related to general compensation matters); *Pfizer Inc.* (Jan. 29, 2007) (proposal requesting that no stock options be awarded to any company employees was excludable under Rule 14a-8(i)(7) as the proposal related to general compensation matters); *Amazon.com, Inc.* (Mar. 7, 2005) (proposal requesting the company adopt and disclose an equity policy that would cancel the company's stock incentive plan and other compensation plans was excludable under Rule 14a-8(i)(7) as the proposal related to general compensation matters); *Alaska Air Group, Inc.* (Feb. 25, 2005) (proposal requesting that the company establish a stock ownership plan for all employees was excludable under Rule 14a-8(i)(7) as the proposal related to general employee compensation matters); and *Citigroup Inc.* (Feb. 23, 2000) (proposal requesting the board "foster a broad-based ownership culture by creating an employee stock ownership plan (ESOP) or similar vehicle, in which all employees participate" was excludable under Rule 14a-8(i)(7) as the proposal related to general employee compensation matters). As with the above-mentioned proposals, the Proposal relates to the Company's ordinary business operations as it addresses employee compensation matters. Therefore, it is excludable under Rule 14a-8(i)(7).

The Staff has specifically permitted the exclusion of proposals that request disclosure of stock-based compensation granted to employees. *See Amazon.com, Inc.* (Apr. 8, 2022) (the "Amazon" no-action letter) (proposal requesting a report on the distribution of stock-based incentives throughout the company's workforce was excludable under Rule 14a-8(i)(7) as the proposal related to ordinary business matters); *Wells Fargo & Co.* (Mar. 14, 2011, *recon. denied* Apr. 5, 2011) (proposal requesting a report on employee compensation with such report disclosing information about compensation paid to the 100 highest paid employees was excludable under Rule 14a-8(i)(7) as the proposal related to the company's ordinary business operations); *American Home Products Corp.* (Feb. 24, 2000) (proposal requesting a public report on employee ownership that would include disclosure of stock owned by employees and any strategies or plans for broadening employee ownership was excludable under Rule 14a-8(i)(7) as the proposal related to general employee compensation matters); *MBNA Corp.* (Feb. 23, 2000) (same). As in the *Amazon*, *Wells Fargo*, *American Home Products* and *MBNA* no-action letters described above, the Proposal is focused on the disclosure of employee stock-based compensation and is therefore excludable under Rule 14a-8(i)(7).

The Staff's recent grant of Rule 14a-8(i)(7) no-action relief in the *Amazon* no-action letter concerned a nearly identical proposal. Both the Proposal and the *Amazon* proposal concern the disclosure of stock-based compensation distributed to company employees and both proposals are framed as promoting an "ownership culture" for employees. Structurally, the proposals are nearly identical. Both proposals: (i) request a board committee; (ii) issue an annual report; (iii) publicly disclosing stock-based compensation granted to employees; (iv) require that such disclosures be arranged in a matrix form, sorted by categories chosen by the board committee; (v) require the matrix to show aggregate amounts of stock ownership and voting power; and (vi) require the report to be issued before or concurrent with the company's next annual proxy statement. In addition, the supporting statements of both the Proposal and the *Amazon* proposal are virtually identical.

Both the Proposal and the *Amazon* proposal are focused on employee compensation, but attempt to tangentially raise the issue of wealth inequality. In *Amazon*, the Staff agreed that the proposal did not focus on a significant social policy issue and stated that “the [p]roposal relates to, *and does not transcend*, ordinary business matters.” (Emphasis added). As in the *Amazon* proposal, the Proposal does not focus on a significant social policy issue but instead relates to the disclosure of employee compensation, an ordinary business matter. The resolved clause concerns detailed disclosures regarding employee stock-based compensation and the actions the Company would take pursuant to the Proposal would solely involve employee compensation matters. The Proposal also expresses certain policy views regarding stock as a preferred form of compensation for employees. These sentiments are similarly focused on employee compensation. The Proposal’s comments regarding wealth and income inequality are peripheral to the title, subject matter and actions to be taken pursuant to the Proposal and do not have a bearing on the overall interpretation of the Proposal. The Staff has previously permitted the exclusion of proposals under Rule 14a-8(i)(7), including in connection with the *Amazon* proposal, when the proposal mentioned, but did not focus on the issues of income and wealth inequality. *See Amazon.com, Inc.* (Mar. 1, 2017) (proposal urging the board to adopt principles for minimum wage reform and raising the issue of wealth inequality was excludable under Rule 14a-8(i)(7) as relating to ordinary business operations); *Staples, Inc.* (Mar. 8, 2016) (same); and *Chipotle Mexican Grill, Inc.* (Feb. 23, 2016) (same). Here, the Proposal is primarily focused on the allocation of stock compensation to employees. This does not relate to income and wealth inequality but instead relates to one component of the Company’s employee compensation. The Staff permitted the exclusion of the nearly identical *Amazon* proposal under Rule 14a-8(i)(7), and the Proposal should similarly be permitted to be excluded as it relates to general compensation matters and therefore, ordinary business operations. The Proposal focuses on employee compensation, which the Commission and Staff have long held to be a task that is fundamental to management’s ability to run a company on a day-to-day basis. In light of the Proposal’s focus on employee compensation, the Proposal is excludable under Rule 14a-8(i)(7) as it concerns the Company’s ordinary business operations.

CONCLUSION

Based on the foregoing analysis, and on behalf of the Company, we respectfully request that the Staff concur that the Company may exclude the Proposal and supporting statements from its 2022 proxy materials under Rule 14a-8(i)(7).

* * * * *

If the Staff disagrees with Company’s view that it can omit the Proposal, we request the opportunity to confer with the Staff prior to the final determination of the Staff’s position. If the Staff has any questions regarding this request or requires additional information, please contact me at kburke@cov.com or (202) 662-5297.

Very truly yours,

Kerry S. Burke

Office of Chief Counsel
June 3, 2022
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cc: Jennifer I. Henkel
Director & Assistant General Counsel
The Procter & Gamble Company

Myra K. Young
John Chevedden

Exhibit A

Corporate Governance

CorpGov.net: improving accountability through democratic corporate governance since 1995

Ms. Debbie Majoras, Chief Legal Officer and Secretary
The Procter & Gamble Company
c/o The Corporate Secretary's Office
One Procter & Gamble Plaza
Cincinnati, OH 45202-3315
Via: [REDACTED]

April 21, 2022

Dear Corporate Secretary,

I am submitting the attached shareholder proposal, which I support, for a vote at the next annual shareholder meeting to request that Procter & Gamble Company **Create an Ownership Culture**. I intend to hold the requisite number of shares required by Rule 14a-8 through the 2023 annual meeting.

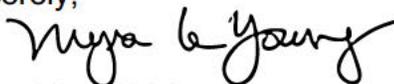
Our submitted format, with the shareholder-supplied emphasis, is intended to be used for definitive proxy publication. We are available to meet with the Company's representative via phone on May 19, 2022, at 7:00am or 7:30am Pacific or at a time that is mutually convenient.

This letter confirms that I am delegating John Chevedden to act as my agent regarding this Rule 14a-8 proposal, including presentation at the forthcoming shareholder meeting but not with regard to submission, negotiations or modification, which will require my approval or that of my husband, James McRitchie ([REDACTED]). Please direct future communications regarding my rule 14a-8 proposal to John Chevedden (PH: [REDACTED]) at: [REDACTED] to facilitate prompt communication.

You can avoid the time and expense of filing a deficiency letter to verify ownership by simply acknowledging receipt of my proposal promptly by email to [REDACTED]. That will prompt us to request the required letter from my broker and to submit it to you. *Per SEC SLB 14L <https://www.sec.gov/corpfin/staff-legal-bulletin-14l-shareholder-proposals>, Section F, Staff "encourages both companies and shareholder proponents to acknowledge receipt of emails when requested." Please honor our request to promptly acknowledge receipt of this email and attachment.*

Your consideration and the consideration of the Board of Directors is appreciated in responding to this proposal. *We are open to negotiating changes to the proposal and/or withdrawal. We expect to forward a broker letter soon. Therefore, if you simply acknowledge my proposal in an email message to [REDACTED] it may not be necessary for you to request such evidence of ownership.*

Sincerely,



Myra K. Young

April 21, 2022

Date

cc: "Roblyer, Giles" [REDACTED], "Lane, Sandy" [REDACTED], "Shepherd, Aaron" [REDACTED]

[PG: Rule 14a-8 Proposal, April 21, 2022]
[This line and any line above it – *Not* for publication.]



Proposal 4* - **Create an Ownership Culture**

Resolved: Procter & Gamble ("Company") shareholders request the Board's Compensation & Leadership Development Committee ("Committee") report annually all stock distributed to employees, directors and consultants under compensation plans approved by shareholders. The report should include a matrix, sorted by an appropriate classification scheme with five or more categories chosen by the Committee, showing aggregate amounts of stock ownership distributed and utilized, including associated voting power, if any. The Committee should issue the report before or concurrent with the next annual proxy statement.

Supporting Statement:

In 2003 the Securities and Exchange Commission in 2003 approved an NYSE mandate that shareholder approval be obtained for specified equity compensation plans before they can be awarded.¹ Our Company recognizes stock ownership as an incentive for directors and named executives, reporting annually on utilization. We ask our Company to track and disclose similar information and associated voting power using meaningful classifications to create an ownership culture for all employees.

Widespread employee ownership is correlated with better firm performance, fewer layoffs, better employee compensation and benefits, higher median household wealth, longer median job tenure, and reduced racial and gender wealth gaps.² It also has a long history of bipartisan support.³ Our Company should educate and promote ownership plans and progress towards an engaged employee ownership culture.⁴

¹ Frequently Asked Questions on Equity Compensation Plans, NYSE (last revised Dec. 1, 2021), <https://www.nyse.com/publicdocs/nyse/regulation/nyse/equitycompfaq.pdf>

² <https://secureservercdn.net/192.169.220.85/11.986.myftpupload.com/wp-content/uploads/2021/10/WhitePaper-TurningEmployeesIntoOwners.pdf> and <https://www.nceo.org/article/research-employee-ownership>

³ <https://www.thirdway.org/report/having-a-stake-evidence-and-implications-for-broad-based-employee-stock-ownership-and-profit-sharing>

⁴ <https://smr.rutgers.edu/faculty-research-engagement/institute-study-employee-ownership-and-profit-sharing>

Wealth inequality in the United States has increased dramatically,⁵ is widely recognized as a *significant social policy issue*,⁶ and brings many problems, such as political polarization.⁷ Employee ownership is key to addressing this social policy in a bipartisan manner.⁸

Providing stock ownership incentives to boards and executives but not to all U.S. company employees has led to glaring inequality. Our Company's last reported "pay ratio" was 333:1. A similar ratio comparing stock ownership and/or the voting power of named executives with those of typical employees would probably be much higher.

From 1973 to 2018, inflation-adjusted wages for nonsupervisory American workers were flat. Meanwhile, a dollar's worth of stock grew (in real terms) to \$14.09. Hourly wages stagnated. Income from capital ownership accelerated. The top 10% of American households earned 97% of capital gains. Typical White families own nearly 10x the average Black family. Single women own only 36% of what typical men own. That gap is greater for women of color.⁹ Strengthening employee ownership would help address these inequities,¹⁰ while generating higher value for all shareholders.

Employee engagement and trust are crucial to success. Expanding the Committee's perspective beyond executive compensation would give them "a better grasp on how human talent matters for the company's business strategy and operations."¹¹ Our Company could benefit shareholders, employees, and the economy by leading on this issue.

Increase Long-Term Shareholder Value
Vote to **Create an Ownership Culture** – Proposal [4*]
[This line and any below, *except for footnotes*, are *not* for publication.]
Number 4* to be assigned by Company

The graphic included above is intended to be published with the rule 14a-8 proposal. It would be the same size as the largest management graphic (or highlighted management text) used in conjunction with a management proposal or opposition to a Rule 14a-8 shareholder proposal in the 2022 proxy.

The proponent is willing to discuss mutual elimination of both shareholder graphic and any management graphic in the proxy in regard to this specific proposal. Reference SEC Staff Legal Bulletin No. 14I (CF) [16].

Companies should not minimize or otherwise diminish the appearance of a shareholder's graphic. For example, if the Company includes its own graphics in its proxy statement, it should give similar prominence to a shareholder's graphics. If a company's proxy statement appears in black and white, however, the shareholder proposal and accompanying graphics may also appear in black and white.

Notes: This proposal conform with Staff Legal Bulletin No. [14B](#) (CF), September 15, 2004 including (emphasis added):

⁵ <https://nequaty.org/facts/wealth-inequality>

⁶ <https://www.pewresearch.org/fact-tank/2020/02/07/6-facts-about-economic-inequality-in-the-u-s/>

⁷ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2649215

⁸ <https://thehill.com/policy/congress-blogs/policy/512413-employee-ownership-the-wealth-gap-and-the-current-crises>

⁹ <https://ownershipamerica.org/the-problem/>

¹⁰ https://smr.rutgers.edu/sites/default/files/Documents/Centers/Institute_Employee_Ownership/rutgerskeoggreport_apr2019.pdf

¹¹ <https://www.edelman.com/trust/2021-trust-barometer/benefits-of-employee-ownership>

Accordingly, going forward, we believe that it would not be appropriate for companies to exclude supporting statement language and/or an entire proposal in reliance on rule 14a-8(i)(3) in the following circumstances:

- the Company objects to factual assertions because they are not supported;
- the Company objects to factual assertions that, while not materially false or misleading, may be disputed or countered;
- the Company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable to the Company, its directors, or its officers; and/or
- the Company objects to statements because they represent the opinion of the shareholder proponent or a referenced source, but the statements are not identified specifically as such.

We believe that it is appropriate under rule 14a-8 for companies to address these objections in their statements of opposition.

See also Sun Microsystems, Inc. (July 21, 2005)

I also take this opportunity to remind you of the SEC's recent guidance and my request that you acknowledge receipt of this shareholder proposal submission. SLB 14L Section F, <https://www.sec.gov/corpfm/staff-legal-bulletin-14l-shareholder-proposals>, Staff "encourages both companies and shareholder proponents to acknowledge receipt of emails when requested."

Corporate Governance

CorpGov.net: improving accountability through democratic corporate governance since 1995

VIA EMAIL: shareholderproposals@sec.gov

Office of Chief Counsel

Division of Corporation Finance

US Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549

cc: [REDACTED] ^{PII}, [REDACTED] ^{PII}, kburke@cov.com, shepherd.ab@pg.com,
lane.st@pg.com, obermeyer.v@pg.com

June 9, 2022

Re: Shareholder Proposal to The Procter & Gamble Company of Myra K. Young
Regarding "Create an Ownership Culture"

Ladies and Gentlemen:

I am acting as an authorized agent of Myra K. Young, who is the beneficial owner of common shares of, The Procter & Gamble Company (the "Company") and submitted a shareholder proposal (the "Proposal") to the Company. We are responding to the letter dated June 3, 2022, (the "Company Letter") sent to the Securities and Exchange Commission (the "Commission") by Kerry S. Burke. In that letter, the Company contends Ms. Young's Proposal may be excluded from the Company's 2022 proxy statement. Any response to this letter should copy Myra K. Young and John Chevedden at the email addresses noted above.

The Proposal requests the Company report annually all stock distributed to employees, directors and consultants under compensation plans approved by shareholders. The report should include a matrix, sorted by an appropriate classification scheme with five or more categories chosen by the Committee, showing aggregate amounts of stock ownership distributed and utilized, including associated voting power, if any. The Company Letter asserts the Proposal relates to general employee compensation policies and practices or management of the workforce, which are solely matters of ordinary business. Most notably, the no-action request cites a recent staff ruling in *Amazon.com, Inc.* (Apr. 8, 2022) as a nearly identical proposal requesting a report of the distribution of *all* stock-based incentives throughout the company's workforce. The Staff found that proposal to be excludable as relating to ordinary business.

We acknowledge that the prior proposal was treated as excludable. Therefore, we redrafted the proposal to limit the focus to an issue of clear relevance and interest to investors. Unlike in *Amazon*, the current Proposal is limited to disclosure of *stock distributed under compensation plans approved by shareholders*. In contrast, the Amazon proposal sought disclosure of *all* stock based incentives, regardless of whether they were shareholder approved. This refocusing of the proposal should suffice to render the proposal non-excludable. The request is for information related *only to stock distributed under compensation plans approved by shareholders, not to* general employee compensation policies or practices.

Having approved a specific equity compensation plan, investors have good reason to want to be informed on how our company has carried out that plan. **Analysis of such reports may be**

crucial to how they vote on such plans in the future. Thus, the proposal addresses a material issue for investors, critical information which may be decisive in deciding how to vote on future equity compensation plans. In *TSC Industries* the Court noted that information is material if there is a “substantial likelihood that a reasonable [investor] would consider it important” in making a voting decision. [*TSC Industries Inc. v Northway Inc.*, 426 US 438 (1976)] As demonstrated below, this information clearly qualifies.

Investors need this information to inform voting decisions

This is clearly an issue of disclosures that are important to investors. Shareholders are required under NASDAQ and NYSE filing requirements, approved by the Securities and Exchange Commission in 2003, to vote on the approval of equity compensation plans before they can be awarded. It would be incongruous and inappropriate to bar shareholders from requesting a report that would provide, in clear tabular form, the data needed for investors to begin to assess the subsequent impact of their votes on those compensation plans.¹

Staff Legal Bulletin 14A, cited by the Company, which discussed the idea of a bright-line rule was issued in 2002, prior to the SEC's approval of the NASDAQ and NYSE requirements for shareholder approval of equity compensation plans. As such, this so-called bright-line rule has never been brought into alignment with the approved NASDAQ and NYSE rules, which necessitate *informed* shareholder voting on equity compensation plans. The current proposal provides the Staff with an opportunity to do so by allowing shareholders to decide if they want this important additional information that would inform their votes.

Because the proposal would provide, and is limited to, information necessary for informed shareholder voting on equity compensation, the proposal does not relate to ordinary business and is not excludable on that basis.

Staff rulings do not consistently bar proposals on disclosure relative to employee compensation

We note as well that there are other precedents to support non-exclusion. The Proposal's request for *disclosure* of distribution of stock ownership incentives throughout the workforce does not equate to excludable ordinary business under Rule 14a-8(i)(7).² For example, a proposal that requested disclosure of the distribution of 2003 stock options by the recipient's race and gender, which discussed recent trends in stock options granted to women and employees of color, was found not excludable under Rule 14a-8(i)(7). *Verizon Communications, Inc.* (Jan. 26, 2004).

Disclosure-related requests applying to the whole workforce have been found not excludable

¹ *Frequently Asked Questions on Equity Compensation Plans*, NYSE (last revised Dec. 1, 2021), <https://www.nyse.com/publicdocs/nyse/regulation/nyse/equitycompfaqs.pdf>; NASDAQ Listing Rule 5635(c), https://listingcenter.nasdaq.com/rulebook/nasdaq/rules/nasdaq-5600-series#nasdaq-rule_5635.

² Precedents cited by the Company, such as *Yum! Brands, Inc.* (Feb. 24, 2015), which seeks a comparison of senior executive compensation and “our store employees’ median wage” being excludable as relating to ordinary business, are contradicted by numerous proposals allowing integration of rank-and-file employee-related compensation disclosures or considerations.

under Rule 14a-8(i)(7), where the focus was on pay differentials between upper- and lower-level employees. For instance, in *Wells Fargo* (Feb. 21, 2019), the proposal requested disclosure of the global median gender pay gap—including associated policy, reputational competitive and operational risks, and risks related to recruiting and retaining female talent—and was found not excludable under Rule 14a-8(i)(7). That proposal also included disclosure of equity compensation through an inclusive definition: "A report adequate for investors to assess company strategy and performance would include the percentage *global median* pay gap between male and female employees across race and ethnicity, including base, bonus, and equity compensation" (emphasis added).

Additionally, subsequent rulings also found non-excludable proposals directed toward CEO or senior executive compensation have included provisions that either imply decision-making or disclosure based on nonmanagement employee compensation levels or disclosure that would reveal the contrast between senior executive compensation and other employees. For instance, in *BB & T Corporation* (Jan. 17, 2017), an ordinary business exclusion was rejected for a proposal asking the company to "take into consideration the pay grades and/or salary ranges of all classifications of company employees when setting target amounts for CEO compensation." Similarly, in *Siebel Systems, Inc.* (Apr. 15, 2003), a proposal designating the intended use of equity and management compensation programs, including certain principles, was not excludable under ordinary business despite the focus principles for *management* compensation, which required discussion of "the proportion of the equity of the company intended to be available for transfer to employees through stock plans, as measured by possible percentage dilution; and the distribution of that wealth opportunity intended within the company, between the CEO, Senior Executives, and other employees."³

Moreover, I note that many other general workforce-related proposals have been deemed permissible under Rule 14a-8(i)(7) as addressing significant policy issues, such as workforce diversity and racial equity, as well as general standards for the workforce. For example, the Staff made clear in several precedents that proposals asking a company to adopt and enforce a workplace code of conduct based on the International Labor Organization's (ILO) Convention on Workplace Human Rights are not excludable under the ordinary business rule. See, e.g., *E. I. Du Pont de Nemours* (Mar. 11, 2002). The ILO Convention includes a series of principles applicable to workforce management, such as no use of child labor, no discrimination or intimidation in employment, workers' right to form and join unions, workers representatives not subject to discrimination, access to workplaces to carry out representation, and no use of forced labor.

Disclosures on wealth inequality are a significant policy issue

In its 1998 Release, the Commission noted certain tasks are generally considered so fundamental to management's ability to run a company on a day-to-day basis that they could not be subject to direct shareholder oversight (e.g., the hiring, promotion, and termination of employees, as well as decisions on retention of suppliers, and production quality and quantity).

³ The proposal requested a statement about the proportion of the equity of the company intended to be available for transfer to employees through stock plans, as measured by possible percentage dilution; and the distribution of that wealth opportunity intended within the company, between the CEO, Senior Executives, and other employees.

However, proposals related to such matters, but *focused on sufficiently significant social policy issues* (i.e., significant discrimination matters), are generally not excludable.

In this instance, the significant policy issue is wealth inequality and its relationship to the distribution of employee stock ownership. While the Company Letter attempts to dismiss this focus, it is evident that the Proposal is concentrated on this issue, including that the Proposal is titled "Create an Ownership Culture." Stock compensation packages are a powerful means of creating or reducing wealth inequality. The central purpose behind the Proposal is to inform shareholders about the role the Company is playing in reducing or exacerbating income inequality in its stock-based compensation packages.

The Company Letter generally cites precedents where rejected proposals attempted to otherwise limit, amend, request, or place a moratorium on employee compensation. Here, the Proposal does no such thing. It merely requests the Company compile a report showing the distribution of stock-based compensation packages among employees. Contrary to the Company's citations and arguments, the Proposal does not ask the Company to implement any sort of reform to its current compensation packages. Instead, the Proposal merely requests that the Company publishes a report detailing which employees receive stock compensation packages or similar compensation.

The current Proposal is not directive. It does not attempt to alter the outcome of stock ownership arrangements. But at least one Staff decision demonstrates that, under certain circumstances, even such a proposal can transcend ordinary business.⁴ The current Proposal contrasts with proposals that request a specific outcome in stock options, such as canceling equity compensation that affects all employees. *Amazon.com, Inc.* (Mar. 7, 2005). The current Proposal does not require any particular outcome other than appropriate disclosures for investors.

There can be no doubt that wealth inequality, especially in the US, is a significant policy issue. Moreover, the United Nations has recognized wealth inequality as a significant social policy issue that creates many tangible problems, particularly in the United States:

⁴ In *International Business Machines* (Feb. 16, 2000), the proposal asked the board to adopt a policy that: (1) all employees, regardless of age, will receive the same retirement medical insurance and pension choice as employees who are within five years of retirement; and (2) the portable cash-balance plan will provide a monthly annuity equal to that expected under the old pension plan or a lump sum that is actuarially equivalent. In that instance, there was significant controversy associated with the company's newly announced pension and retirement plans for IBM employees, including Wall Street Journal coverage reporting that some employees would face losses as high as 50% under the new policy. IBM had also acknowledged to some employees that its new individual medical insurance accounts would probably run out of money as they approach old age. The new plan's limited medical insurance is especially a problem for lower-paid workers.

Feeding the outrage was IBM's declaration that it planned to use the \$200 million saved to fund stock options for executives and other targeted employees. Many of IBM's most talented employees did not feel comfortable with their deserved bonus being tied to the reduction of promised retirement pay and medical insurance for fellow employees. The Staff noted "widespread public debate concerning the conversion from traditional defined benefit pension plans to cash-balance plans and the increasing recognition that this issue raises significant social and corporate policy issues, it is our view that proposals relating to the conversion from traditional defined benefit pension plans to cash-balance plans cannot be considered matters relating to a registrant's ordinary business operations."

"Income inequality has been compounded by wealth inequality, particularly in countries with already high inequality levels such as the United States of America . . . It is clear that inequality can be a serious threat to social and political stability."

As a result of recognizing such concerns, reducing inequality is one of 17 Sustainable Development Goals⁵ established by the United Nations in 2015. This is a distinct problem facing any corporation headquartered in the United States since income inequality in the US is the highest of *all* the G7 nations.⁶ The wealth gap between "America's richest and poorest families have *more than doubled* from 1989 to 2016" (emphasis added).⁷ This gap has grown even more significant during the pandemic.⁸

The business case for addressing this issue is clear. Widespread employee stock ownership is correlated with better employee and firm performance, fewer layoffs, better employee compensation and benefits, higher median household income, longer median job tenure, and reduced racial and gender wealth gaps. All these positive outcomes would have the effect of reducing wealth inequality in the US.

I have gathered data regarding wealth distribution on a national level. For instance, according to the Congressional Budget Office, 10% of families currently hold 76% of the total wealth in this country.⁹ But little data is available on a corporate level, where many of the critical policy decisions are made, and the distribution of stock ownership is clearly a key element. For example, Rutgers' analysis of the General Social Survey estimated that, in 2018, nearly 23 million employees—representing more than 19% of all US workers—owned some share in their employer. However, the bottom 37% of workers had less access to company stock programs. Below are a few key findings:

⁵ See *United Nations Sustainable Development Goals*, <https://upload.wikimedia.org/wikipedia/commons/d/d5/N1529189.pdf>

⁶ *Organization for Economic Co-operation and Development*, <https://www.oecd.org/social/income-distribution-database.htm>

⁷ Katherine Schaeffer, *6 Facts About Economic Inequality in the U.S.*, Pew Research Center (Feb. 7, 2020), <https://www.pewresearch.org/fact-tank/2020/02/07/6-facts-about-economic-inequality-in-the-u-s/>

⁸ See Peter Coy, *Wealth Inequality Is the Highest Since World War II*, N.Y. Times (Feb. 2, 2022), <https://www.nytimes.com/2022/02/02/opinion/inequality-wealth-pandemic.html>

⁹ See *Turning Employees Into Owners: Rebuilding the American Dream*, Ownership America (Oct. 2021), <https://secureservercdn.net/192.169.220.85/111.986.myftpupload.com/wp-content/uploads/2021/10/WhitePaper-TurningEmployeesIntoOwners.pdf>. Among data compiled by the Bureau of Labor Statistics—surveying workers aged 28–34 that were born between Jan. 1, 1980, and Dec. 31, 1984—employee-owners have, relative to workers who are not employee-owners:

- 92% higher median household wealth
- 33% higher income from wages
- 52% longer median job tenure
- Almost twice the household net worth

Employee Ownership & Economic Well-Being, Nat. Center for Employee Ownership (May 14, 2017), https://www.ownershipeconomy.org/wp-content/uploads/2017/05/employee_ownership_and_economic_wellbeing_2017.pdf

- Employee-owners of color have a 30% higher wage income than non-employee owners of color.
- Women employee-owners have a 17% higher wage income than women who are not employee-owners.
- Employee ownership was generally linked to higher income, benefits, gain/profit sharing, training, and involvement in company decision-making.
- Of the low- and moderate-income worker-owners surveyed, those aged 60 to 64 had 10 times more wealth than typical Americans in that age group.¹⁰

The trickle-down notion for justifying wealth inequality is accompanied by the assumption that rewarding top corporate employees with abundant cash and stock benefits will ultimately boost the economy and raise all ships. Actual data supports an opposite finding. Economic growth is also hindered as the wealth gap grows.¹¹ On the other hand, increasing employee ownership—including stock ownership—could significantly improve the distribution of wealth in society.¹²

Moreover, the issue of wealth inequality in the US is tied to another critically important social policy issue: racial inequality. This is demonstrated by a recent editorial board opinion piece in the Washington Post, titled "Narrowing the US Wealth gap is important. Narrowing the racial wealth gap is urgent."¹³ Although many publicly traded companies made racial justice commitments, few report using stock incentives as a means of addressing those commitments. Disseminating access to this data and shedding light on the issue is an essential first step in identifying necessary improvements.

In sum, there is ample evidence the current Proposal is focused on wealth inequality, which is a significant social policy issue in the US today.

¹⁰ See *Race and Gender Wealth Equity and the Role of Employee Share Ownership*, <https://www.aspeninstitute.org/publications/race-and-gender-wealth-equity-and-the-role-of-employee-share-ownership/>

¹¹ According to data from the International Monetary Fund:

"An inverse relationship between the income share accruing to the rich (top 20 percent) and economic growth. If the income share of the top 20 percent increases by 1 percentage point, GDP growth is actually 0.08 percentage point lower in the following five years, suggesting that the benefits do not trickle down. Instead, a similar increase in the income share of the bottom 20 percent (the poor) is associated with 0.38 percentage point higher growth."

Causes and Consequences of Income Inequality: A Global Perspective, IMF (June 2015), <https://www.imf.org/external/pubs/ft/sdn/2015/sdn1513.pdf>

¹² One study, using data from the Survey of Consumer Finances, found that if businesses were to become 30% employee-owned, it would produce a significant change in the concentration of wealth. Specifically, the wealth share of those with below-median wealth would increase from 1% to 6% of total wealth, and the net wealth of the average black family would increase by more than 400%, from \$24,100 to \$106,271. Additionally, those with only high school diplomas would see similar wealth increases. In 2016, the median white family had \$147,000 in wealth, compared with \$3,600 for Black families and \$6,600 for Latinx families. White women had a median wealth of \$66,930, while that of Black and Latinx women was just \$6,000 and \$6,700, respectively. Thomas Dudley & Ethan Rouen, *Employee Ownership and Wealth Inequality: A Path to Reducing Wealth Concentration*, Harvard Business School Accounting and Management Unit Working Paper No. 22-021 (Sept. 30, 2021), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3942536

¹³ *Narrowing the Wealth Gap is Important. Narrowing the Racial Wealth Gap is Urgent*, Washington Post (July 30, 2021) <https://www.washingtonpost.com/opinions/2021/07/30/us-wealth-gap-race/>

Conclusion

Under Rule 14a-8(g), the burden of proof falls on the company to show the proposal may be excluded. Here, the Company has failed to demonstrate the Proposal is excludable under Rule 14a-8(i)(7). Therefore, we request Staff inform the Company that SEC proxy rules require denial of the Company's no-action request.

We would be pleased to respond to Staff questions or negotiate mutually agreeable terms for withdrawing the Proposal from The Proctor and Gamble Corporation, as we have done with other companies, such as Bank of America, Goldman Sachs, Bristol-Meyers Squibb, Chipotle, Meta, and others.

Sincerely,

James McRitchie
Shareholder Advocate