

PROCTER & GAMBLE CO  
Form DEF 14A  
August 26, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**  
**(Amendment No. \_\_ )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**The Procter & Gamble Company**

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(Name of Registrant as Specified In Its Charter)

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**THE PROCTER & GAMBLE COMPANY**

**Notice of Annual Meeting**

**and**

**Proxy Statement**

**Procter & Gamble Hall**

**at the Aronoff Center for the Arts**

**Annual Meeting of Shareholders**

**October 11, 2011**

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**THE PROCTER & GAMBLE COMPANY**

**P.O. Box 599**

**Cincinnati, Ohio 45201-0599**

August 26, 2011

Fellow Procter & Gamble Shareholders:

It is my pleasure to invite you to this year's annual meeting of shareholders, which will be held on Tuesday, October 11, 2011.

The meeting will start at 9:00 a.m., Eastern Daylight Time, at the Procter & Gamble Hall at the Aronoff Center for the Arts, 650 Walnut Street, in Cincinnati.

We appreciate your continued confidence in our Company and look forward to seeing you on October 11.

Sincerely,

ROBERT A. MCDONALD  
CHAIRMAN OF THE BOARD, PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

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**THE PROCTER & GAMBLE COMPANY**

**P.O. Box 599**

**Cincinnati, Ohio 45201-0599**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

August 26, 2011

**Date:** Tuesday, October 11, 2011  
**Time:** 9:00 a.m., Eastern Daylight Time  
**Place:** Procter & Gamble Hall at the Aronoff Center for the Arts  
650 Walnut Street, Cincinnati, Ohio 45202

**Purposes of the meeting:**

To review the minutes of the 2010 annual meeting of shareholders;

To receive reports of officers;

To elect 11 members of the Board of Directors ( Board );

To vote on a Board proposal to ratify appointment of the independent registered public accounting firm;

To provide an advisory vote on a Board proposal to approve the Company's executive compensation (the Say on Pay vote);

To provide an advisory vote on a Board proposal to recommend the frequency of holding the Say on Pay vote in the future;

To vote on a Board proposal to amend the Company's Amended Articles of Incorporation;

To vote on three shareholder proposals; and

To consider any other matters properly brought before the meeting.

**Who may attend the meeting:**

Only shareholders, persons holding proxies from shareholders, and invited representatives of the media and financial community may attend the meeting.

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Shareholders attending the meeting who are hearing-impaired should identify themselves during registration so they can sit in a special section where an interpreter will be available.

### **What to bring:**

If your shares are registered in your name, and you requested and received a printed copy of the proxy materials, you should bring the enclosed Admission Ticket to the meeting. If you received a Notice of Internet Availability of Proxy Materials and will not be requesting a printed copy of the proxy materials, please bring that Notice with you as your Admission Ticket.

**If your shares are held in the name of a broker, trust, bank or other nominee, you will need to bring a proxy or letter from that broker, trust, bank or nominee confirming that you are the beneficial owner of those shares.**

### **Audiocast of the annual meeting:**

If you are not able to attend the meeting in person, you may join a live audiocast of the meeting on the Internet by visiting [www.pg.com/investors](http://www.pg.com/investors) at 9:00 a.m., Eastern Daylight Time on October 11, 2011.

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### **Record Date:**

August 12, 2011, is the record date for the meeting. This means that owners of Procter & Gamble stock at the close of business on that date are entitled to:

receive notice of the meeting; and

vote at the meeting and any adjournments or postponements of the meeting.

### **Information About the Notice of Internet Availability of Proxy Materials:**

Again this year, instead of mailing a printed copy of our proxy materials, including our Annual Report, to each shareholder of record, we have decided to provide access to these materials in a fast and efficient manner via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all shareholders. On August 26, 2011, we began mailing a Notice of Internet Availability of Proxy Materials (the Notice) to shareholders of record as of August 12, 2011, and we posted our proxy materials on the website referenced in the Notice ([www.proxyvote.com](http://www.proxyvote.com)). As more fully described in the Notice, shareholders may choose to access our proxy materials at [www.proxyvote.com](http://www.proxyvote.com) or may request a printed set of our proxy materials. In addition, the Notice and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. For those who previously requested printed proxy materials or electronic materials on an ongoing basis, you will receive those materials as you requested.

### **Householding Information:**

Shareholders of record who have the same address and last name and have not previously requested electronic delivery of proxy materials will receive a single envelope containing the Notices for all shareholders having that address. The Notice for each shareholder will include that shareholder's unique control number needed to vote his or her shares. This procedure reduces our printing costs and postage fees. If, in the future, you do not wish to participate in householding and prefer to receive your Notice in a separate envelope, please call us toll-free at 1-800-742-6253 in the U.S., or inform us in writing at: The Procter & Gamble Company, Shareholder Services, P.O. Box 5572, Cincinnati, OH 45201-5572, or by email at [shareholders.im@pg.com](mailto:shareholders.im@pg.com). We will respond promptly to such requests.

For those shareholders who have the same address and last name and who request to receive a printed copy of the proxy materials by mail, we will send only one copy of such materials to each address unless one or more of those shareholders notifies us, in the same manner described above, that they wish to receive a printed copy for each shareholder at that address.

Beneficial shareholders can request information about householding from their banks, brokers or other holders of record.

### **Proxy Voting:**

**Your vote is important. Please vote your proxy promptly so your shares can be represented, even if you plan to attend the annual meeting. You can vote by Internet, by telephone or by requesting a printed copy of the proxy materials and using the enclosed proxy card.**

**Our proxy tabulator, Broadridge Financial Solutions, must receive any proxy that will not be delivered in person to the annual meeting by 11:59 p.m., Eastern Daylight Time on Monday, October 10, 2011.**

By order of the Board of Directors,

DEBORAH P. MAJORAS

Chief Legal Officer and Secretary

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### **Proxy Statement**

As more fully described in the Notice, the Board of Directors of The Procter & Gamble Company (the Company) has made these materials available to you over the Internet or, upon your request, has mailed you printed versions of these materials in connection with the Company's 2011 annual meeting of shareholders, which will take place on October 11, 2011. The Notice was mailed to Company shareholders beginning August 26, 2011, and our proxy materials were posted on the website referenced in the Notice on that same date. The Company, on behalf of its Board, is soliciting your proxy to vote your shares at the 2011 annual meeting of shareholders. We solicit proxies to give shareholders of record an opportunity to vote on matters that will be presented at the annual meeting. In this proxy statement, you will find information on these matters, which is provided to assist you in voting your shares.

### **Voting Information**

#### **Who can vote?**

You can vote if, as of the close of business on Friday, August 12, 2011, you were a shareholder of record of the Company:

Common Stock (Common Stock);

Series A ESOP Convertible Class A Preferred Stock; or

Series B ESOP Convertible Class A Preferred Stock.

Each share of Company stock gets one vote. On August 12, 2011, there were issued and outstanding:

2,748,005,731 shares of Common Stock;

64,973,864 shares of Series A ESOP Convertible Class A Preferred Stock; and

60,849,261 shares of Series B ESOP Convertible Class A Preferred Stock.

#### **For The Procter & Gamble Shareholder Investment Program participants:**

If you are a participant in The Procter & Gamble Shareholder Investment Program, you can vote shares of Common Stock held for your account through the custodian for that program.

#### **For participants in The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan and/or The Procter & Gamble Savings Plan:**

If you are a participant in The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan and/or The Procter & Gamble Savings Plan, you can instruct the Trustees how to vote the shares of stock that are allocated to your account. If you do not vote your shares, the Trustees will vote them in proportion to those shares for which they have received voting instructions. Likewise, the Trustees will vote shares held by the trust that have not been allocated to any account in the same manner.

#### **How do I vote by proxy?**

Most shareholders can vote by proxy in three ways:

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By Internet You can vote via the Internet by following the instructions in the Notice or by accessing the Internet at [www.proxyvote.com](http://www.proxyvote.com) and following the instructions contained on that website;

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**By Telephone** In the United States and Canada you can vote by telephone by following the instructions in the Notice or by calling 1-800-690-6903 (toll-free) and following the instructions; or

**By Mail** You can vote by mail by requesting a full packet of proxy materials be sent to your home address. Upon receipt of the materials, you may fill out the enclosed proxy card and return it per the instructions on the card.

Please see the Notice or the information your bank, broker or other holder of record provided you for more information on these options.

If you authorize a proxy to vote your shares over the Internet or by telephone, you should not return a proxy card by mail (unless you are revoking your proxy).

If you vote by proxy, your shares will be voted at the annual meeting in the manner you indicate on your proxy card. If you sign your proxy card but do not specify how you want your shares to be voted, they will be voted as the Board recommends.

### **Can I change or revoke my vote after I return my proxy card?**

Yes. You can change or revoke your proxy by Internet, telephone or mail prior to 11:59 p.m., Eastern Daylight Time on Monday, October 10, 2011, or by attending the annual meeting and voting in person.

### **Can I vote in person at the annual meeting instead of voting by proxy?**

Yes. However, we encourage you to vote your proxy by Internet, telephone or mail prior to the meeting.

## **Voting Procedures**

**Election of Directors** Each of the 11 nominees for Director who receives a majority of votes cast will be elected as a member of the Board. A majority of votes cast means that the number of shares cast for a nominee must exceed the number of votes cast against that nominee. Abstentions and broker non-votes will have no effect. Pursuant to the By Laws of the Board of Directors, if a non-incumbent nominee for Director receives a greater number of votes cast against than votes cast for, such nominee shall not be elected as a member of the Board. Any incumbent nominee for Director who receives a greater number of votes cast against than votes cast for shall continue to serve on the Board pursuant to Ohio law, but shall immediately tender his or her resignation as a Director to the Board. Within 90 days, the Board will decide, after taking into account the recommendation of the Governance & Public Responsibility Committee (in each case excluding the nominee in question), whether to accept the resignation. Absent a compelling reason for the Director to remain on the Board, the Board shall accept the resignation. The Board's explanation of its decision shall be promptly disclosed on a Form 8-K submitted to the Securities and Exchange Commission ( SEC ).

The Board Proposals regarding Say on Pay and Say on Pay vote frequency are advisory and not binding on the Company. They require the affirmative vote of a majority of shares participating in the voting on each proposal for approval. Abstentions and broker non-votes will not be counted as participating in the voting and will therefore have no effect.

The Board Proposal to amend the Company's Amended Articles of Incorporation requires the affirmative vote of a majority of the Company's issued and outstanding shares for adoption. Accordingly, abstentions and broker non-votes have the same effect as votes against this proposal.

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All Other Proposals require the affirmative vote of a majority of shares participating in the voting on each proposal for approval. Abstentions and broker non-votes will not be counted as participating in the voting and will therefore have no effect.

**Who pays for this proxy solicitation?**

The Company does. We have hired Phoenix Advisory Partners, a proxy solicitation firm, to assist us in soliciting proxies for a fee of \$15,000 plus reasonable expenses. In addition, Phoenix Advisory Partners and the Company's Directors, officers and employees may also solicit proxies by mail, telephone, personal contact, email or other online methods. We will reimburse their expenses for doing this.

We will also reimburse brokers, fiduciaries and custodians for their costs in forwarding proxy materials to beneficial owners of Company stock. Other proxy solicitation expenses that we will pay include those for preparing, mailing, returning and tabulating the proxies.

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### **Board Composition**

#### **Experiences, Skills and Qualifications**

Each individual Director should epitomize the Company's Purpose, Values and Principles, possess the highest ethics and integrity and demonstrate commitment to representing the long-term interests of the Company's shareholders. Each Director should also have individual experiences that provide practical wisdom, mature judgment and an inquisitive and objective mind. These experiences, at policy-making levels, may include business, government, technology, international, marketing and other areas that are relevant to the Company's global operations. In addition, the evaluation of Director nominees by the Governance & Public Responsibility Committee takes into account diversity, including with respect to international background, age, gender and race.

Below we identify and describe specific experiences, skills and qualifications our Directors bring to the Board. Each Director's specific experiences, skills and qualifications that the Board considered in their re-nomination are included in their individual biographies. However, the fact that we do not list a particular experience, skill or qualification for a Director does not mean that Director does not possess that particular experience, skill or qualification.

**Leadership experience.** Directors with significant leadership experience over an extended period, especially current and former chief executive officers, provide the Company with special insights. These individuals demonstrate a practical understanding of how large organizations operate, including the importance of human resource management and how employee and executive compensation are set. They understand strategy and risk management. They possess extraordinary leadership qualities and are able to identify and develop leadership qualities in others. And, through their various leadership positions, they have access to important information and relationships that benefit the Company.

**Consumer Industry experience.** Directors with experience in dealing with consumers, particularly in the areas of marketing and selling products or services to consumers, provide valuable insights to the Company. They understand consumer needs, recognize products and marketing campaigns that might resonate with consumers and identify potential changes in consumer trends and buying habits.

**International experience.** Directors with experience in markets outside of the United States bring valuable knowledge to the Company, which generates over 63% of its revenue from international markets.

**Marketing experience.** Directors with experience identifying, developing and marketing new products, as well as new areas for existing products, can add significant positive impact to the Company's operational results. As one of the world's largest advertisers, this is a particularly important attribute.

**Finance experience.** Directors with an understanding of accounting and financial reporting processes, particularly as they relate to a large, complex, international business, provide an important oversight role. The Company employs a number of financial targets to measure its performance, and accurate financial reporting is critical to the Company's success. Directors with financial experience are critical to ensuring effective oversight of the Company's financial measures and processes.

**Government experience.** Directors with government experience, whether as members of the government or through extensive interactions with government and government agencies, are able to recognize, identify and understand the key issues that the Company faces in an economy increasingly affected by the role of governments around the world.

**Technology experience.** Directors with an understanding of technology and innovation help the Company focus its efforts in these important areas, as well as track progress. As one of the few companies with an Innovation & Technology Committee of the Board, this is particularly important to the Company's overall success.

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### **Diversity**

The Board considers diversity to be an important criterion in the selection and nomination of candidates for Director. As a global company, the Board seeks Directors with international background and global experience, among other factors. This is reflected in the Board's Corporate Governance Guidelines, which set forth the minimum criteria for Board members, and note that the Board seeks to achieve a mix of Board members that represents a diversity of background and experience, including with respect to age, gender, international background, race and specialized experience.

Although the Board does not establish specific goals with respect to diversity, the Board's overall diversity is a significant consideration in the Director nomination process. For this year's election, the Board has nominated 11 individuals. Those 11 individuals range in age from 50 to 65. Each nominee is a strategic thinker and has varying, specialized experience in areas that are relevant to the Company. Moreover, their collective experience covers a wide range of countries, geographies and industries, including consumer products, technology, financial services, media, agriculture, aerospace and health care, as well as roles in consulting and government. Five are women; two are African-American and one is Mexican. This year, the Company received an award from WomenCorporateDirectors for serving as a role model in both corporate leadership and best governance practices by being a top performing company with a board consisting of three or more women members.

The Board assesses the effectiveness of its diversity policy every year as part of the nomination process for the annual election of Directors by the Company's shareholders. The Board's Governance & Public Responsibility Committee, responsible for making recommendations for Director nominations to the full Board, reviews the Director nominees (including shareholder nominees) and ascertains whether, as a whole, the group meets the Board's policy in this regard. Having reviewed the collective background and experience of the 11 nominees, the Board has concluded that they provide sufficient diversity to meet the Board's policy.

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**Election of Directors**

All of the Board's nominees for Director are incumbent nominees who will be elected for a one-year term. Angela F. Braly, Kenneth I. Chenault, Scott D. Cook, Robert A. McDonald, W. James McNerney, Jr., Johnathan A. Rodgers, Mary Agnes Wilderotter, Patricia A. Woertz and Ernesto Zedillo were elected for one-year terms at the 2010 annual meeting. Susan Desmond-Hellmann was appointed to the Board effective December 13, 2010 and Margaret C. Whitman was appointed to the Board effective February 8, 2011. The current terms of all nominees for Director will expire at the 2011 annual meeting. The Board has nominated each of these individuals for new terms that will expire at the 2012 annual meeting.

Each of the nominees for Director has accepted the nomination and agreed to serve as a Director if elected by the Company's shareholders. If any nominee becomes unable or unwilling to serve between the date of the proxy statement and the annual meeting, the Board may designate a new nominee and the persons named as proxies will vote on that substitute nominee.

**The Board of Directors recommends a vote FOR Angela F. Braly, Kenneth I. Chenault, Scott D. Cook, Susan Desmond-Hellmann, Robert A. McDonald, W. James McNerney, Jr., Johnathan A. Rodgers, Margaret C. Whitman, Mary Agnes Wilderotter, Patricia A. Woertz and Ernesto Zedillo as Directors to hold office until the 2012 annual meeting of shareholders and until their successors are elected.**

**Nominees for Election as Directors with Terms Expiring in 2012**

**Angela F. Braly**

Director since 2009, Age 50

Ms. Braly is Chair of the Board, President and Chief Executive Officer of WellPoint, Inc. (a healthcare insurance company). She has served as Chair of the Board since March, 2010 and President and Chief Executive Officer since 2007. She previously served as Executive Vice President, General Counsel and Chief Public Affairs Officer of WellPoint from 2005 to 2007 and President and Chief Executive Officer of Blue Cross Blue Shield of Missouri from 2003 to 2005.

As Chief Executive Officer of a major health benefits company that interacts directly with consumers, Ms. Braly has a vast amount of leadership, consumer industry and marketing experience. Ms. Braly also brings a significant amount of government experience, given her prior role as general counsel and chief public affairs officer for WellPoint, where she was responsible for the company's government relations efforts, among other areas.

Member of the Audit and Governance & Public Responsibility Committees.

**Kenneth I. Chenault**

Director since 2008, Age 60

Mr. Chenault is Chairman and Chief Executive Officer of the American Express Company (a global services, payments and travel company), where he has served in various roles of increasing responsibility since joining the company in 1981. Mr. Chenault assumed his current responsibilities as Chairman and Chief Executive Officer in 2001. He has been a Director of International Business Machines Corporation since 1998.

As Chairman and Chief Executive Officer of American Express, Mr. Chenault has significant leadership and financial experience. With more than 30 years experience delivering products and services to consumers and businesses all across the world, Mr. Chenault brings consumer and business insights, marketing expertise, as well as a global perspective to the Board.

Member of the Audit and Compensation & Leadership Development Committees.

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**Scott D. Cook**

Director since 2000, Age 59

Mr. Cook is Chairman of the Executive Committee of the Board of Intuit Inc. (a software and web services company), which he co-founded in 1983. He served as President and Chief Executive Officer of Intuit from 1983 to 1994 and as Chairman of the Board of Intuit from 1993 through 1998. He has been a Director of eBay Inc. since 1998.

As a co-founder and former Chief Executive Officer of Intuit, whose software is marketed and sold directly to consumers, and a current Director of eBay, Mr. Cook has a wealth of leadership, technology, consumer industry and marketing experience that he brings to the Board.

Chair of the Innovation & Technology Committee and member of the Compensation & Leadership Development Committee.

**Susan Desmond-Hellmann**

Director since 2010, Age 54

Dr. Desmond-Hellmann is Chancellor and Arthur and Toni Rembe Rock Distinguished Professor, University of California, San Francisco ( UCSF ), where she has served since August 2009. From 2004 through 2009, Dr. Desmond-Hellmann served as president of product development at Genentech, a biotechnology company, where she was responsible for pre-clinical and clinical development, business development and product portfolio management. She joined Genentech in 1995. Prior to joining Genentech, Dr. Desmond-Hellmann was associate director of clinical cancer research at Bristol-Myers Squibb Pharmaceutical Research Institute. She was appointed to the Company's Board on December 13, 2010.

As Chancellor of UCSF, a member of the California Academy of Sciences board of trustees and president of product development at Genentech, Dr. Desmond-Hellmann has extensive leadership and technology experience. As a member of the Federal Reserve Bank of San Francisco's Economic Advisory Council, she also brings finance experience to the Board.

Member of the Audit and Innovation & Technology Committees.

**Robert A. McDonald**

Director since 2009, Age 58

Mr. McDonald is Chairman of the Board, President and Chief Executive Officer of the Company, which he joined in 1980 and where he has held numerous positions of increasing responsibility in the United States and internationally, including Chief Operating Officer from 2007 to 2009 and Vice Chair, Global Operations from 2004 to 2007. He has been a Director of Xerox Corporation since 2005.

As someone who has spent his entire career with the Company, much of it outside of the United States, and who currently serves as Chief Executive Officer, Mr. McDonald has an extensive, in-depth knowledge of the Company's business. His wide-ranging roles throughout his career at the Company also provide him with significant leadership, consumer industry, marketing and international experience.



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**W. James McNerney, Jr.**

Director since 2003, Age 62

Mr. McNerney is Chairman of the Board, President and Chief Executive Officer of The Boeing Company (an aerospace, commercial jetliners and military defense systems company), a position he has held since 2005. From 2001 to 2005, Mr. McNerney was CEO of 3M Company, a global technology company. Prior to his appointment as CEO of 3M Company, Mr. McNerney was employed by General Electric for nearly twenty years, where he held positions of increasing importance. He has been a Director of International Business Machines Corporation since 2009.

As the Chief Executive Officer of Boeing, former Chief Executive Officer of 3M and former executive of General Electric, Mr. McNerney brings a wealth of leadership, global and technology experience. His extensive experience managing large, global manufacturing companies, as well as his insight into government affairs, enable him to advise the Board on a variety of strategic and business matters.

Presiding Director, Chair of the Compensation & Leadership Development Committee and member of the Governance & Public Responsibility Committee.

**Johnathan A. Rodgers**

Director since 2001, Age 65

Mr. Rodgers was President and Chief Executive Officer of TV One, LLC (a media and communications company), from 2003 until he retired on July 31, 2011. Prior to joining TV One, Mr. Rodgers was President of Discovery Networks for six years and worked for CBS, Inc. for twenty years, where he held a variety of executive positions. He has been a Director of Nike, Inc. since 2006.

As the recently retired Chief Executive Officer of TV One, LLC, Mr. Rodgers has significant leadership experience. His prior role in media and communications, combined with past management roles at Discovery Networks and CBS, Inc., also give him extensive consumer industry, marketing and technology experience.

Member of the Innovation & Technology Committee.

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**Margaret C. Whitman**

Director since 2011, Age 55

Ms. Whitman is a part-time Strategic Advisor to Kleiner, Perkins, Caulfield & Byers (a Silicon Valley venture capital firm). She formerly served as President and Chief Executive Officer of eBay Inc. (an ecommerce and payments company) from 1998 to 2008. Prior to joining eBay, Ms. Whitman held executive level positions at Hasbro Inc., a toy company, FTD, Inc., a floral products company, The Stride Rite Corporation, a footwear company, The Walt Disney Company, an entertainment company, and Bain & Company, a consulting company. She also served as a Director of the Company from 2003 to 2008 and of DreamWorks Animation SKG, Inc. from 2005 to 2008, having resigned from both boards of directors in preparation for her 2010 California gubernatorial bid. She has been a Director of Hewlett Packard Company since January 21, 2011 and Zipcar since February 28, 2011. Ms. Whitman was appointed to the Company's Board on February 8, 2011.

As the former President and Chief Executive Officer of eBay, and previously as a senior officer of a number of consumer products companies, Ms. Whitman has extensive leadership and consumer industry experience. Her prior management roles also provide her with significant marketing and technology experience.

Member of the Compensation & Leadership Development and Innovation & Technology Committees.

**Mary Agnes Wilderotter**

Director since 2009, Age 56

Mrs. Wilderotter is Chairman of the Board, President and Chief Executive Officer of Frontier Communications Corporation (a communications company specializing in providing services to rural areas and small and medium-sized towns and cities), which she joined as President and Chief Executive Officer in 2004. Mrs. Wilderotter previously held positions as Senior Vice President of Worldwide Public Sector at Microsoft, President and Chief Executive Officer of Wink Communications, Inc. and Executive Vice President of National Operations for AT&T's Wireless Service, Inc. She has been a Director of Xerox Corporation since 2006. Mrs. Wilderotter was a Director of The McClatchy Company from 2001 to 2007, and of Yahoo! Inc. from 2007 to 2009.

As Chief Executive Officer of Frontier Communications, and previously as Chief Executive Officer of Wink Communications, Mrs. Wilderotter has significant leadership experience. Her current role, along with her prior roles at Microsoft, Wink Communications and AT&T, also give her a vast amount of consumer industry, marketing and technology experience.

Member of the Compensation & Leadership Development and Governance & Public Responsibility Committees.

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**Patricia A. Woertz**

Director since 2008, Age 58

Ms. Woertz is Chairman, Chief Executive Officer and President of Archer Daniels Midland Company (agricultural processors of oilseeds, corn, wheat and cocoa, etc.), a company she joined in 2006. Ms. Woertz was named Chief Executive Officer and President in 2006 and Chairman in 2007. Prior to joining Archer Daniels Midland, Ms. Woertz held positions of increasing importance at Chevron Corporation and its predecessor companies. She began her career as a certified public accountant with Ernst & Ernst.

As Chief Executive Officer of Archer Daniels Midland, Ms. Woertz has significant leadership experience. Having started her career as a certified public accountant, and with a broad range of executive roles at Chevron Corporation and its predecessor companies, Ms. Woertz also brings a significant amount of international, marketing, finance, government relations and technology experience.

Chair of the Audit Committee and member of the Governance & Public Responsibility Committee.

**Ernesto Zedillo**

Director since 2001, Age 59

Dr. Zedillo served as President of Mexico from 1994 to 2000 and currently serves as Director of the Center for the Study of Globalization and Professor in the field of International Economics and Politics at Yale University. He has been a Director of Alcoa Inc. since 2002 and Citigroup, Inc. and Grupo PRISA since 2010. Dr. Zedillo was also a Director of Union Pacific Corporation from 2001 to 2006.

Dr. Zedillo's prior service as President of Mexico provides him with significant government and leadership experience. His current role as Director of the Center for the Study of Globalization and Professor in the field of International Economics and Politics at Yale University provides him with a wealth of international experience. He also has significant financial experience, having previously served on the Audit Committee of Union Pacific and as the Secretary of Economic Programming and the Budget for Mexico, as well as having held various positions at the Banco de Mexico.

Chair of the Governance & Public Responsibility Committee and member of the Innovation & Technology Committee.

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### **The Board of Directors**

#### **General Oversight**

The Board has general oversight responsibility for the Company's affairs pursuant to Ohio's General Corporation Law, the Company's Amended Articles of Incorporation, the Code of Regulations, and the By Laws of the Board of Directors. The Board has established committees to assist in this regard. In exercising its fiduciary duties, the Board represents and acts on behalf of the Company's shareholders. Although the Board does not have responsibility for the day-to-day management of the Company, it stays informed about the Company's business and provides guidance to Company management through periodic meetings, site visits and other interactions. The Board is deeply involved in the Company's strategic planning process, leadership development and succession planning. Additional details concerning the role and structure of the Board are contained in the Board's Corporate Governance Guidelines, which can be found in the corporate governance section of the Company's website at [www.pg.com/investors](http://www.pg.com/investors).

#### **Leadership Structure**

The Board regularly considers the appropriate leadership structure for the Company and has concluded that the Company and its shareholders are best served by not having a formal policy on whether the same individual should serve as both Chief Executive Officer ( CEO ) and Chairman of the Board. The Board believes that it is important to retain the flexibility to make this determination at any given point in time based on what it believes will provide the best leadership structure for the Company at that time. This approach allows the Board to utilize its considerable experience and knowledge to elect the most qualified Director as Chairman of the Board, while maintaining the ability to separate the Chairman of the Board and CEO roles when necessary. Accordingly, at different points in time in the Company's history, the CEO and Chairman of the Board roles have been held by the same person. At other times, they have been held by different individuals. In each instance, the decision on whether to combine or separate the roles was made in the best interests of the Company's shareholders, based on the circumstances at the time.

Further, in the event that the Board determines that the same individual should hold the positions of CEO and Chairman of the Board, the Board elects a Presiding Director from the independent Directors. The Presiding Director has the authority to call meetings of the independent Directors, can be contacted directly by shareholders, acts as the key Board liaison with the CEO, chairs the executive sessions of the Board, presides over Board meetings in the absence of the Chairman and communicates the Board's feedback to the CEO, including the non-management Directors' annual evaluation of his performance. This guarantees full involvement in decision-making by the non-employee Directors. The Presiding Director also advises the Chairman and the Chair of the Governance & Public Responsibility Committee regarding membership of the various Board Committees and selection of the Committee Chairs, advises the Chairman on retention of advisors and consultants to the Board and advises on issues discussed at executive sessions. This ensures that the Presiding Director plays an active role in Board governance. Finally, the Presiding Director also approves meeting agendas and other information sent to the Board and ensures that there is sufficient time for discussion of all agenda items.

The Board believes that its current leadership structure, with Mr. McDonald serving as both CEO and Chairman of the Board, provides unified leadership and direction for the Company and gives clear focus for management to execute the Company's strategy and business plans at this time. This structure has served the Company and its shareholders well in the past, as evidenced by the Company's success. The Board will continue to evaluate the Company's leadership structure to ensure the Board's structure is right and appropriate at all times.

#### **Risk Oversight**

It is the responsibility of the Company's senior management to develop and implement the Company's strategic plans and to identify, evaluate, manage and mitigate the risks inherent in those plans. It is the responsibility of the Board to understand and oversee the Company's strategic plans, the

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associated risks and the steps that senior management is taking to manage and mitigate those risks. The Board takes an active approach to its risk oversight role. This approach is bolstered by the Board's leadership and committee structure, which ensures: (1) proper consideration and evaluation of potential enterprise risks by the full Board under the auspices of the Chairman of the Board and Presiding Director; and (2) further consideration and evaluation of discrete risks at the committee level.

To ensure proper oversight of the Company's management and the potential risks that face the Company, the non-employee members of the Board elect annually a Presiding Director from the Board's independent Directors. In addition, the Board is predominantly comprised of independent Directors, and all members of the key committees of the Board (Audit, Compensation & Leadership Development, and Governance & Public Responsibility) are independent. This strong system of checks and balances ensures that key decisions made by the Company's most senior management, up to and including the CEO, are reviewed and overseen by the non-employee Directors of the Board.

Risk management oversight by the full Board includes a comprehensive annual review of the Company's overall strategic plan and the plans for each of the Company's global business units, including the risks associated with these strategic plans. The Board also conducts an annual review of the conclusions and recommendations generated by management's enterprise risk management process. This process involves a cross-functional group of the Company's senior management which, on a continual basis, identifies current and future potential risks facing the Company and ensures that actions are taken to manage and mitigate those potential risks. The Board also has overall responsibility for leadership succession for the Company's most senior officers and reviews succession plans each year.

In addition, the Board has delegated certain risk management oversight responsibilities to certain Board committees, each of which reports regularly to the full Board. In performing these oversight responsibilities, each committee has full access to management, as well as the ability to engage independent advisors. The Audit Committee oversees the Company's compliance with legal and regulatory requirements and its overall risk management process. It also regularly receives reports regarding the Company's most significant internal controls, compliance risks, and potential legal and regulatory risks, along with management's plans for managing and mitigating those risks, and processes for maintaining compliance within a strong internal controls environment. Representatives from the Company's independent auditor attend Audit Committee meetings, regularly make presentations to the Audit Committee and comment on management presentations. In addition, the Company's Chief Financial Officer (CFO), Chief Legal Officer, chief audit executive and representatives of the Company's independent auditor individually meet in private session with the Audit Committee to raise any concerns they might have with the Company's risk management practices.

The Board's Compensation & Leadership Development (C&LD) Committee employs an independent compensation consultant, Frederic W. Cook & Co., Inc., who does not work for management and, among other tasks, reviews and reports on all of the Company's executive compensation programs, including the potential risks and other impacts of incentives created by the programs. For more details on the arrangement with Frederic W. Cook & Co., Inc., please see the section entitled "Engagement of Independent Adviser" found on page 40 of this proxy statement.

The independent compensation consultant's review included an analysis of the Company's short-term and long-term compensation programs covering key program details, performance factors for each program, target award ranges, maximum funding levels, and plan administrative oversight and control requirements. Key program elements assessed relating to potential compensation risks were pay mix, performance metrics, performance goals and payout curves, payment timing and adjustments, severance packages, equity incentives and stock ownership requirements and trading policies. Simultaneously, members of management performed a similar review of the Company's other compensation programs. The results of the consultant's analysis of the Company's executive compensation programs, as well as

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management's review of the Company's other compensation programs, were shared with the C&LD Committee, which concluded that the Company's compensation programs are not reasonably likely to have a material adverse effect on the Company as a whole.

In reaching its conclusion, the C&LD Committee noted that the Company's compensation programs include a mix of cash and equity and annual and long-term incentives. This mix of compensation, the design features of these programs and the Company's respective oversight and control requirements mitigate the potential of any individual inclination toward taking unnecessary risks. The C&LD Committee also acknowledged various other features of the Company's compensation programs, policies and practices designed to mitigate unwarranted risk. For example, the Company's annual cash bonus program, the Short-Term Achievement Reward ( STAR ), provides the C&LD Committee with discretion to reduce or eliminate any award that would otherwise be payable. In addition, the performance metrics under STAR include both quantitative measures (e.g. top-line growth, bottom-line profits, free cash flow, etc.) and qualitative measures (e.g., relative performance, internal collaboration, strategic strength, innovation, etc.). These non-metric features mitigate any tendency for an executive to focus too much on the specific financial metrics under STAR. Moreover, the performance metrics associated with STAR (50% core earnings per share growth and 50% organic sales growth) are aligned with the Company's business plans and strategic objectives, and the weighting of STAR target awards in the mix of target annual cash compensation is generally at or below the median for the Peer Group, as defined on pages 27 to 28 of this proxy statement.

Further, the C&LD Committee recognized that the Company's long-term incentives include a balanced portfolio of options, restricted stock units and performance-vested stock (under the Performance Stock Plan). These long-term incentives incorporate a variety of payout horizons that focus executives on long-term performance: 10-year terms with three-year cliff vesting for stock options, restricted stock units with five-year cliff vesting and a three-year performance period for performance-vested stock. The C&LD Committee also noted that the design of the Performance Stock Plan reduces the likelihood that an executive will focus too much on a single performance measure by including four different performance categories, each of which is equally weighted: organic sales growth, before tax operating profit growth, core earnings per share growth and free cash flow productivity. Each of the financial measures are defined on page 35 of this proxy statement.

Finally, the C&LD Committee acknowledged that the Company has adopted several policies intended to mitigate inappropriate risk taking, including stock ownership guidelines for senior executives, a recoupment policy that applies in the event of any significant financial restatement and an insider trading policy that prohibits margin and hedging transactions by senior executives.

**Committees of the Board**

To facilitate deeper penetration into certain key areas of oversight, the Board has established four committees. Membership on these Committees, as of August 12, 2011, is shown in the following chart:

<b>Audit</b>	<b>Compensation &amp; Leadership Development</b>	<b>Governance &amp; Public Responsibility</b>	<b>Innovation &amp; Technology</b>
Ms. Woertz <sup>1</sup>	Mr. McNerney <sup>1</sup>	Dr. Zedillo <sup>1</sup>	Mr. Cook <sup>1</sup>
Ms. Braly	Mr. Chenault	Ms. Braly	Dr. Desmond-Hellmann
Mr. Chenault	Mr. Cook	Mr. McNerney	Mr. Rodgers
Dr. Desmond-Hellmann	Ms. Whitman	Mrs. Wilderotter	Ms. Whitman
	Mrs. Wilderotter	Ms. Woertz	Dr. Zedillo

<sup>1</sup> Committee Chair

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All Directors served on the respective committees listed above, including committee chairs, for the Company's entire fiscal year, with the following exceptions:

Dr. Desmond-Hellmann was appointed as a member of the Audit and Innovation & Technology Committees effective upon her appointment to the Board on December 13, 2010.

Ms. Whitman was appointed as a member of the C&LD and Innovation & Technology Committees effective as of the Board's April 2011 meeting.

The **Audit Committee** met eight times during the fiscal year ended June 30, 2011, to carry out its responsibilities under its charter. At all of these meetings, representatives of Deloitte & Touche LLP, the Company's independent registered public accounting firm, and financial management were present to review accounting, control, auditing and financial reporting matters. During certain of these meetings, the Audit Committee also held private sessions with the Company's CFO, Chief Legal Officer, chief audit executive and representatives of Deloitte & Touche LLP. All members of this Committee are independent under the New York Stock Exchange ( NYSE ) listing standards and the Board of Directors' Guidelines for Determining the Independence of its Members (the Independence Guidelines ) which can be found in the corporate governance section of the Company's website at [www.pg.com/investors](http://www.pg.com/investors). The Audit Committee has the responsibilities set forth in its charter with respect to accounting, financial reporting and disclosure processes and adequacy of systems of disclosure and internal control established by management; the quality and integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; the Company's overall risk management profile; the independent registered public accounting firm's qualifications and independence; the performance of the Company's internal audit function and the independent registered public accounting firm; and preparing the annual Report of the Audit Committee to be included in the Company's proxy statement. In addition to these responsibilities, the Committee, at the request of the Board, continued to oversee the Company's internal investigation, as well as the external investigations, into competition law violations in Europe, for which the Board assigned oversight responsibility to the Committee. The Audit Committee's charter can be found in the corporate governance section of the Company's website at [www.pg.com/investors](http://www.pg.com/investors).

The **Compensation & Leadership Development Committee** met five times during the fiscal year ended June 30, 2011, during which it held five executive sessions with no member of management present. All members of this Committee are independent under the NYSE listing standards and the Independence Guidelines. The C&LD Committee has a charter, under which it has full authority and responsibility for the Company's overall compensation policies, including base pay, short and long-term pay, retirement benefits, perquisites, clawback policy, stock ownership requirements, stock holding requirements and severance arrangements, if any, and their specific application to principal officers elected by the Board and to members of the Board. This Committee also assists the Board in the leadership development and evaluation of principal officers. As a practical matter, the CEO makes recommendations to the C&LD Committee regarding the compensation elements of the principal officers (other than his own compensation) based on Company performance, individual performance and input from Company management and the C&LD Committee's independent compensation consultant. All final decisions regarding compensation for principal officers are made by this Committee, and this Committee makes a recommendation to the Board regarding the shareholder votes related to executive compensation. For more details regarding principal officer compensation or this Committee's process for making decisions regarding the compensation of principal officers, please see the Compensation Discussion and Analysis section found on pages 24 to 42 of this proxy statement. This Committee also approves all stock-based equity grants made under The Procter & Gamble 2009 Stock and Incentive Compensation Plan to non-principal officers. This Committee has delegated to the CEO the authority to make equity grants to non-principal officers subject to the specific terms and conditions determined by the C&LD Committee. This Committee retains an independent compensation consultant, hired directly by the C&LD Committee, to advise it regarding executive compensation matters. The C&LD Committee's charter can be found in the corporate governance section of the Company's website at [www.pg.com/investors](http://www.pg.com/investors).

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The **Governance & Public Responsibility Committee** met six times during the fiscal year ended June 30, 2011. All members of the Governance & Public Responsibility Committee are independent under the NYSE listing standards and the Independence Guidelines. The Governance & Public Responsibility Committee has governance responsibilities set forth in its charter with respect to identifying individuals qualified to become members of the Board; recommending when new members should be added to the Board and individuals to fill vacant Board positions; recommending to the Board the Director nominees for the next annual meeting of shareholders and whether to accept the resignation of any incumbent Director nominee who received a greater number of against votes than for votes in a non-contested election; recommending Board committees and committee assignments; periodically reviewing and recommending updates to the Board's Corporate Governance Guidelines; educating the Board and the Company in applicable governance laws and regulations; assisting the Board and the Company in interpreting and applying the Company's Corporate Governance Guidelines and other issues related to Board governance; and evaluating the Board and its members. The Committee also covers public responsibility topics such as overseeing the Company's social investments and commitment to making a meaningful impact around the world, by reviewing strategies and plans for improving lives in ways that enable people to thrive and that increase their quality of living; overseeing the Company's commitment to and efforts regarding environmental sustainability; overseeing the Company's community and government relations; overseeing the Company's product quality and quality assurance systems; overseeing protection of the Company's corporate reputation and other matters of importance to the Company and its stakeholders (including employees, consumers, customers, suppliers, shareholders, governments, local communities and the general public); and overseeing the Company's organizational diversity. The Governance & Public Responsibility Committee's charter can be found in the corporate governance section of the Company's website at [www.pg.com/investors](http://www.pg.com/investors).

The **Innovation & Technology Committee** met two times during the fiscal year ended June 30, 2011. All members of the Innovation & Technology Committee are independent under the NYSE listing standards and the Independence Guidelines. The Innovation & Technology Committee has the responsibilities set forth in its charter with respect to overseeing and providing counsel on matters of innovation and technology. Topics considered by this Committee include the Company's approach to technical and commercial innovation; the innovation and technology acquisition process; and tracking systems important to successful innovation. The Innovation & Technology Committee's charter can be found in the corporate governance section of the Company's website at [www.pg.com/investors](http://www.pg.com/investors).

## **Board and Committee Meeting Attendance**

During the fiscal year ended June 30, 2011, the Board held eight meetings and the Committees of the Board held 21 meetings for a total of 29 meetings. Average attendance at these meetings by members of the Board during the past year exceeded 98%. All Directors attended greater than 86% of the meetings of the Board and the Committees on which they serve.

## **Corporate Governance**

### **Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines to set forth its commitments and guiding principles concerning overall governance practices. These guidelines can be found in the corporate governance section of the Company's website at [www.pg.com/investors](http://www.pg.com/investors).

### **Director Independence**

The Board has determined that the following Directors are independent under the NYSE listing standards and the Independence Guidelines because they have either no relationship with the Company (other than being a Director and shareholder of the Company) or only immaterial relationships with the Company: Angela

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F. Braly, Kenneth I. Chenault, Scott D. Cook, Susan Desmond-Hellmann, W. James McNerney, Jr., Johnathan A. Rodgers, Margaret C. Whitman, Mary Agnes Wilderotter, Patricia A. Woertz and Ernesto Zedillo. All members of the Board's Audit, C&LD, Governance & Public Responsibility and Innovation & Technology Committees are independent.

In making these independence determinations, the Board applied the NYSE listing standards and the categorical independence standards contained in the Independence Guidelines. Under the Independence Guidelines, certain relationships were considered immaterial and, therefore, were not considered by the Board in determining independence, but were reported to the Chair of the Governance & Public Responsibility Committee. Applying the NYSE listing standards and the Independence Guidelines, the Board determined that there are no transactions, relationships or arrangements that would impair the independence or judgment of any of the Directors deemed independent by the Board.

Mr. McDonald is Chairman of the Board, President and CEO of the Company. As such, he cannot be deemed independent under the NYSE listing standards and the Independence Guidelines.

## **Code of Ethics**

The Company has a code of ethics for its employees. The most recent version of this code of ethics, which is consistent with SEC regulations and NYSE listing standards, is contained in the *Worldwide Business Conduct Manual*. The *Worldwide Business Conduct Manual* was updated and redeployed to all of the Company's employees, officers and Directors in early 2011, and can be found on the Company's website at [www.pg.com](http://www.pg.com), along with any future amendments thereto. The *Worldwide Business Conduct Manual* is firmly rooted in the Company's long-standing Purpose, Values and Principles, which can also be found on the Company's website at [www.pg.com](http://www.pg.com). During the fiscal year ended June 30, 2011, the Company continued its deployment of the *Worldwide Business Conduct Manual* throughout the Company in 28 different languages, including online training.

## **Review and Approval of Transactions with Related Persons**

The *Worldwide Business Conduct Manual* requires that all employees and Directors disclose all potential conflicts of interest and promptly take actions to eliminate any such conflict when the Company requests. In addition, the Company has adopted a written Related Person Transaction Policy that prohibits any of the Company's executive officers, Directors or any of their immediate family members from entering into a transaction with the Company, except in accordance with the policy.

Under our Related Person Transaction Policy, the Chief Legal Officer is charged with primary responsibility for determining whether, based on the facts and circumstances, a related person has a direct or indirect material interest in a proposed transaction. To assist the Chief Legal Officer in making this determination, the policy sets forth certain categories of transactions that are deemed not to involve a direct or indirect material interest on behalf of the related person. If, after applying these categorical standards and weighing all of the facts and circumstances, the Chief Legal Officer determines that the related person would have a direct or indirect material interest in the transaction, the Chief Legal Officer must present the proposed transaction to the Audit Committee for review or, if impracticable under the circumstances, to the Chair of the Audit Committee. The Audit Committee must then either approve or reject the transaction in accordance with the terms of the policy. In the course of making this determination, the Audit Committee shall consider all relevant information available to it and, as appropriate, must take into consideration the following:

Whether the proposed transaction was undertaken in the ordinary course of business of the Company;

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Whether the proposed transaction was initiated by the Company or the related person;

Whether the proposed transaction contains terms no less favorable to the Company than terms that could have been reached with an unrelated third party;

The purpose of, and the potential benefits to the Company of, the proposed transaction;

The approximate dollar value of the proposed transaction, particularly as it involves the related person;

The related person's interest in the proposed transaction; and

Any other information regarding the related person's interest in the proposed transaction that would be material to investors under the circumstances.

The Audit Committee may only approve the proposed transaction if it determines that the transaction is not inconsistent with the best interests of the Company as a whole. Further, in approving any such transaction, the Audit Committee has the authority to impose any terms or conditions it deems appropriate on the Company or the related person. Absent this approval, no such transaction may be entered into by the Company with any related person.

Jon R. Moeller, the Company's CFO, is married to Lisa Sauer, a long-tenured employee of the Company who currently holds the position of Vice President Purchases, Global Packaging and Hygiene Materials. Her total compensation in the last year was approximately \$750,000, consisting of salary, bonus, equity grants and retirement benefits. Her compensation is consistent with the Company's overall compensation principles based on her years of experience, performance and position within the Company. Prior to Mr. Moeller becoming CFO, the Audit Committee approved the continued employment of Ms. Sauer with the Company under the Company's Related Person Transaction Policy, concluding that her continued employment was not inconsistent with the best interests of the Company as a whole.

Deborah P. Majoras, the Company's Chief Legal Officer and Secretary, is married to John M. Majoras, one of over 800 partners in the law firm of Jones Day. The Company has hired Jones Day in the ordinary course of business, to perform legal services. The Company's relationship with Jones Day dates back more than 25 years and significantly precedes Ms. Majoras joining the Company as Vice President and General Counsel in 2008 from the Federal Trade Commission, where she served as Chairman. Mr. Majoras does not receive any direct compensation from the fees paid to Jones Day by the Company, his ownership in the Jones Day law firm is significantly less than 1%, and the fees paid by the Company to Jones Day in the last fiscal year were significantly less than 1% of their annual revenues. Mr. Majoras did not personally render any legal services to the Company, nor supervise any attorney in rendering legal services to the Company during the previous fiscal year. Under the Company's Related Person Transaction Policy, the Audit Committee reviewed and approved the continued use of Jones Day as a provider of legal services to the Company, but required Mr. McDonald, the Company's CEO, to approve any recommendations by Ms. Majoras to hire Jones Day for a specific legal matter. In doing so, the Committee concluded that the Majorases did not have a direct or indirect material interest in the Company's hiring of Jones Day and that the relationship is not inconsistent with the best interests of the Company as a whole.

Other than as noted above, there were no transactions, in which the Company or any of its subsidiaries was a participant, the amount involved exceeded \$120,000, and any Director, Director nominee, executive officer or any of their immediate family members had a direct or indirect material interest reportable under applicable SEC rules or that required approval of the Audit Committee under the Company's Related Person Transaction Policy nor are there any currently proposed.

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### **Presiding Director and Executive Sessions**

Upon recommendation of the Governance & Public Responsibility Committee, the non-employee members of the Board reappointed W. James McNerney, Jr. to serve as the Presiding Director for FY 2011-12. Mr. McNerney began his service as Presiding Director on August 14, 2007. The Presiding Director:

presides at all meetings of the Board in the absence of, or upon the request of, the Chairman of the Board, including executive sessions of the independent Directors;

approves meeting agendas for the Board and information sent to the Board;

approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;

advises the Chairman of the Board and/or the Secretary regarding the agendas for the Board meetings;

calls meetings of the non-management and/or independent Directors, with appropriate notice;

advises the Governance & Public Responsibility Committee and the Chairman of the Board on the membership of the various Board committees and the selection of committee chairs;

advises the Chairman of the Board on the retention of advisors and consultants who report directly to the Board;

advises the Chairman of the Board, as appropriate, on issues discussed at executive sessions of non-management and/or independent Directors;

with the Chair of the C&LD Committee, reviews with the CEO the non-management Directors' annual evaluation of his performance;

serves as principal liaison between the non-management and/or independent Directors, as a group, and the Chairman of the Board, as necessary;

serves, when necessary and appropriate, after consultation with the CEO, as the liaison between the Board and the Company's shareholders; and

selects an interim Presiding Director to preside over meetings at which he or she cannot be present.

The non-employee members of the Board met six times during FY 2010-11 in executive session (without the presence of employee Directors or other employees of the Company) to discuss various matters related to the oversight of the Company, the management of Board affairs, succession planning for the Company's top management (including the CEO position), and the CEO's performance. It also met in semi-executive session (with the CEO present for portions of the discussion) on three occasions.

**Communication with Directors and Executive Officers**

Shareholders and others who wish to communicate with the Board or any particular Director, including the Presiding Director, or with any executive officer of the Company, may do so by writing to the following address:

[Name of Director(s)/Executive Officer or Board of Directors ]

The Procter & Gamble Company

c/o Secretary

One Procter & Gamble Plaza

Cincinnati, OH 45202-3315

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All such correspondence is reviewed by the Secretary's office, which logs the material for tracking purposes. The Board has asked the Secretary's office to forward to the appropriate Director(s) all correspondence, except for personal grievances, items unrelated to the functions of the Board, business solicitations, advertisements and materials that are profane.

### **Availability of Corporate Governance Documents**

In addition to their availability on the Company's website at [www.pg.com](http://www.pg.com), copies of the Company's Amended Articles of Incorporation, the Company's Code of Regulations, all Committee Charters, the Corporate Governance Guidelines (including Independence Guidelines, Confidentiality Policy and Financial Literacy and Expertise Guidelines), the *Worldwide Business Conduct Manual*, the Company's Purpose, Values and Principles and the Related Person Transaction Policy are available in print upon request by writing to the Company Secretary at One Procter & Gamble Plaza, Cincinnati, OH 45202-3315.

### **Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees**

The Governance & Public Responsibility Committee will consider shareholder recommendations for candidates for the Board, which should be submitted to:

Chair of the Governance & Public Responsibility Committee

The Procter & Gamble Company

c/o Secretary

One Procter & Gamble Plaza

Cincinnati, OH 45202-3315

Pursuant to the Company's Code of Regulations, a shareholder wishing to nominate a candidate for election to the Board at an annual meeting of shareholders is required to give written notice to the Secretary of the Company of his or her intention to make such nomination. The notice of nomination must be received at the Company's principal executive offices not less than 140 days nor more than 240 days prior to the one-year anniversary of the preceding year's annual shareholder meeting. Certain other notice periods apply if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date. Based on the one-year anniversary of the 2011 annual meeting, a shareholder wishing to nominate a candidate for election to the Board at the 2012 annual meeting must provide such notice no earlier than February 14, 2012, and no later than May 24, 2012.

As set forth in the Company's Code of Regulations, the notice of nomination is required to contain information about both the nominee and the shareholder making the nomination, including information sufficient to allow the Governance & Public Responsibility Committee to determine if the candidate meets certain criteria. A nomination that does not comply with the requirements set forth in the Company's Code of Regulations will not be considered for presentation at the annual meeting.

The minimum qualifications and preferred specific qualities and skills required for Directors are set forth in Article II, Sections B through E of the Board's Corporate Governance Guidelines. The Committee considers all candidates using these criteria, regardless of the source of the recommendation. The Committee's process for evaluating candidates includes the considerations set forth in Article II, Section B of the Committee's Charter. After initial screening for minimum qualifications, the Committee determines appropriate next steps, including requests for additional information, reference checks and interviews with potential candidates. In addition to shareholder recommendations, the Committee also relies on recommendations from current Directors, Company personnel and others. From time to time, the Committee may engage the services of outside search firms to help identify candidates. During the fiscal year ended June 30, 2011, no such engagement existed (and none currently exists), and no funds were paid to outside parties in connection with the identification of nominees. All nominees for election as

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Directors who currently serve on the Board are known to the Committee and were recommended by the Committee to the Board as Director nominees. Dr. Desmond-Hellmann was recommended to the Governance & Public Responsibility Committee by various non-employee members of the Board and other executive officers. Ms. Whitman was recommended to the Governance & Public Responsibility Committee by various non-employee members of the Board who know her professionally and through her prior service on the Company's Board.

**Annual Meeting Attendance**

The Board's expectation is that all of its members attend the annual meeting of shareholders. All Directors attended the 2010 annual meeting.

**Director Compensation**

The following table and footnotes provide information regarding the compensation paid to the Company's non-employee Directors in FY 2010-11. Directors who are employees of the Company receive no compensation for their services as Directors.

**Director Compensation Table**

Name	Annual Retainer <sup>1</sup> (\$)	Fees			Total Fees Earned or Paid in Cash (\$)	Stock Awards <sup>4</sup> (\$)	All Other Compensation <sup>5</sup> (\$)	Total (\$)
		Committee Meeting Fees <sup>2</sup> (\$)	Committee Chair and Presiding Director Fees <sup>3</sup> (\$)					
Angela F. Braly	100,000	6,000	0	106,000 <sup>6</sup>	160,000	15,262	281,262	
Kenneth I. Chenault	100,000	6,000	0	106,000 <sup>7</sup>	160,000	109	266,109	
Scott D. Cook	100,000	4,000	13,750	117,750 <sup>8</sup>	160,000	117	277,867	
Susan Desmond-Hellmann	58,333	0	0	58,333	0	11,898	70,231	
Rajat K. Gupta	66,667	6,000	0	72,667	0	0	72,667	
W. James McNerney, Jr.	100,000	4,000	32,500	136,500 <sup>9</sup>	160,000	123	296,623	
Johnathan A. Rodgers	100,000	2,000	0	102,000 <sup>10</sup>	160,000	12,566	274,566	
Margaret C. Whitman	41,667	0	0	41,667	0	107	41,774	
Mary Agnes Wilderotter	100,000	4,000	0	104,000	160,000	16,679	280,679	
Patricia A. Woertz	100,000	6,000	18,750	124,750	160,000	107	284,857	
Ernesto Zedillo	100,000	4,000	13,750	117,750	160,000	11,825	289,575	

<sup>1</sup> The annual retainer for each Director is \$100,000 and is paid in quarterly increments. Dr. Desmond-Hellmann's and Ms. Whitman's retainers were prorated because they were appointed to the Board after the beginning of the fiscal year. Mr. Gupta's retainer was prorated because he resigned from the Board prior to the end of the fiscal year.

<sup>2</sup> Reflects fees paid for meetings during the 2009-10 Director's terms which ended in October 2010. No fees were paid for meetings during the 2010-11 Director's terms, consistent with the changes to the Director's compensation package approved on June 8, 2010, by the C&LD Committee.

<sup>3</sup> Committee Chair Fees for the first quarter of FY 2010-11 were paid consistent with the Director compensation package in effect for the 2009-10 Director's term which ended in October 2010. Committee Chair and Presiding Director Fees for the 2010-11 Director's term were paid consistent with the Director compensation package approved on June 8, 2010, by the C&LD Committee.

<sup>4</sup> Annually, upon election at the Company's annual meeting of shareholders, each Director is awarded a grant of restricted stock units (RSUs) with a grant date fair value of \$160,000. Because Dr. Desmond-Hellmann and Ms. Whitman were not appointed to the Board until December 13, 2010, and February 8, 2011, respectively, they did not receive the annual RSU grant. Because Mr. Gupta resigned from the Board effective March 1, 2011, he forfeited his 2010 award in accordance with the terms of The Procter & Gamble 2003 Non-Employee Directors' Stock Plan. As of the end of FY 2010-11:

a. Ms. Braly has 5,251 unvested stock awards outstanding.

b. Mr. Chenault has 11,492 unvested stock awards outstanding.

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- c. Mr. Cook has 24,187 unvested stock awards outstanding and 10,674 option awards outstanding.
- d. Mr. Gupta has 6,377 unvested stock awards outstanding.
- e. Mr. McNerney has 22,446 unvested stock awards outstanding.
- f. Mr. Rodgers has 29,386 unvested stock awards outstanding and 6,644 option awards outstanding.
- g. Mrs. Wilderotter has 4,941 unvested stock awards outstanding.
- h. Ms. Woertz has 7,062 unvested stock awards outstanding.
- i. Dr. Zedillo has 22,357 unvested stock awards outstanding and 6,644 option awards outstanding.

Unvested stock awards include RSUs that have not delivered in shares and restricted stock for which the restrictions have not lapsed. RSUs earn dividend equivalents which are accrued in the form of additional RSUs each quarter and credited to each Director's holdings. These RSUs have the same vesting restrictions as the underlying RSUs and are ultimately deliverable in shares. Restricted stock earns cash dividends that are paid quarterly with the option of reinvesting in Company stock.

- <sup>5</sup> The All Other Compensation total includes certain costs associated with Directors and their guests (spouse, family member or similar guest) attending Board meetings and/or Board activities. For two Board meetings during FY 2010-11, each Director was encouraged to bring a guest. For each of these meetings, the Company incurred costs associated with providing minor commemorative items, sightseeing and other similar activities for both the Director and accompanying guest. Some of these costs were paid in Euros, which were translated into U.S. Dollars at the applicable exchange rate on the date of payment. In some cases, the Company also incurred costs associated with commercial airfare for the guest. For all other regular Board meetings throughout the fiscal year, Directors were entitled to bring a guest so long as the Director used the Company aircraft to attend the meeting and the guest's attendance did not result in any incremental aircraft costs. Directors and their guests are also covered under the same insurance policy as all Company employees for accidental death while traveling on Company business (coverage is \$750,000 for each Director and \$300,000 for a guest). The incremental cost to the Company for this benefit is \$2,190. In addition, the Company maintains a Charitable Awards Program for current and retired Directors who were participants prior to July 1, 2003. Under this program, at their death, the Company donates \$1,000,000 per Director to up to five qualifying charitable organizations selected by each Director. Directors derive no financial benefit from the program because the charitable deductions accrue solely to the Company. The Company funds this contribution from general corporate assets and made no payments during FY 2010-11. This program was discontinued for any new Director effective July 1, 2003. In FY 2010-11, the Company also made a \$500 donation on behalf of each Director (except Ms. Whitman who joined the Board after the donation) to the Children's Safe Drinking Water Program or to a different charity of their choice. Similar to the Charitable Awards Program described above, these donations were funded from general corporate assets, and the Directors derive no financial benefit from these donations because the charitable deductions accrue solely to the Company. As an employee Director, Robert A. McDonald did not receive a retainer, fees or a stock award. Mr. McDonald attended Board meetings and activities as described above, and, in conjunction with those meetings, received \$114 as All Other Compensation.
- <sup>6</sup> Ms. Braly took her fees for the FY 2010-11 in retirement restricted stock, which had a grant date fair value of \$106,000.
- <sup>7</sup> Mr. Chenault took his fees for the first half of the fiscal year in retirement restricted stock which had a grant date fair value of \$56,000. He took his fees for the second half of the fiscal year in cash.
- <sup>8</sup> Mr. Cook took his fees for the first half of the fiscal year in unrestricted stock which had a grant date fair value of \$60,250. For the second half of the fiscal year, he took a portion of his fees in retirement restricted stock which had a grant date fair value of \$52,500, and took the remainder of the fees in cash.
- <sup>9</sup> Mr. McNerney took his fees for FY 2010-11 in unrestricted stock, which had a grant date fair value of \$136,500.
- <sup>10</sup> Mr. Rodgers took his fees for the first half of FY 2010-11 in retirement restricted stock, which had a grant date fair value of \$52,000. He took his fees for the second half of the fiscal year in cash.

The objective of the C&LD Committee is to provide non-employee members of the Board a compensation package consistent with the median of the Peer Group. Directors can elect to receive any part of their fees or retainer (other than the grant of RSUs) as cash, retirement restricted stock or unrestricted stock. The Company did not grant any stock options to Directors in FY 2010-11. Effective October 12, 2010, non-employee members of the Board received the following compensation:

A grant of RSUs following election to the Board at the Company's October 12, 2010 annual meeting of shareholders, with a grant date fair value of \$160,000. These units will be forfeitable if the Director resigns during the year, will not deliver in shares until at least one year after the Director leaves the Board, and cannot be sold or traded until delivered in shares, thus encouraging alignment with the Company's long-term interests and the interests of shareholders. These RSUs will earn dividend equivalents at the same rate as dividends paid to shareholders;

An annual retainer fee of \$100,000 paid in quarterly increments; and

An additional annual retainer paid to the Presiding Director and Chair of each committee as follows: Presiding Director and Chairs of the Audit and C&LD Committees \$20,000; Chairs of the Governance & Public Responsibility and Innovation & Technology Committees \$15,000.

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In addition, for the period of July 1, 2010 until October 12, 2010, Directors received a committee meeting fee of \$2,000 for every Committee meeting attended prior to the effective date of the current compensation package.

At their June 7, 2011 meeting, the Board, upon the recommendation of the C&LD Committee, approved increasing the annual retainer to \$110,000 (to be paid in quarterly increments) for the 2011-12 Directors term. The increase makes the compensation package of the non-employee members of the Board of Directors more consistent with the median of the Peer Group. All other components of the compensation package remain unchanged.

Non-employee members of the Board must own Company stock and/or RSUs worth six times their annual cash retainer. A number of the non-employee Directors were recently appointed or elected to the Board within the last few years. However, all non-employee Directors either meet or are on track to meet the ownership requirements within the five-year period established by the C&LD Committee.

### **Report of the Compensation & Leadership Development Committee**

The Compensation & Leadership Development Committee of the Board of Directors has reviewed and discussed the following section of this proxy statement entitled "Compensation Discussion and Analysis" with management. Based on this review and discussion, the Committee has recommended to the Board that the section entitled "Compensation Discussion and Analysis" as it appears on the following pages, be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

*W. James McNerney, Jr. (Chair)*

*Kenneth I. Chenault*

*Scott D. Cook*

*Margaret C. Whitman*

*Mary Agnes Wilderotter*

**Table of Contents****Compensation Discussion and Analysis****Executive Summary**

In FY 2010-11, we faced a number of significant challenges that put downward pressure on both organic sales and core earnings per share ( Core EPS ) growth. First, we faced slower than anticipated growth in developed markets, which led to lower sales versus our initial forecasts. Second, commodity costs were up nearly \$1.8 billion versus prior year, which had a significant impact on Core EPS. Finally, civil unrest in the Middle East and the Japan earthquake/tsunami negatively impacted both our top and bottom-line results. A summary of our key financial targets for FY 2010-11, and our results relative to those targets, are set forth below:

	<b>FY 2010-11 Targets</b>	<b>Actual</b>
Core EPS <sup>1</sup>	7% to 9%	8%
Organic sales growth <sup>2</sup>	4% to 6%	4%
Free cash flow productivity <sup>3</sup>	90%	84%

<sup>1</sup> Core EPS measures the Company's diluted net earnings per share from continuing operations excluding certain items that are not judged to be part of the Company's sustainable results or trends. This exclusion includes a significant benefit in 2011 from the settlement of U.S. tax litigation primarily related to the valuation of technology donations, charges in both 2011 and 2010 related to pending European legal matters, and a 2010 charge related to a tax provision for retiree healthcare subsidy payments in the U.S. healthcare reform legislation.

<sup>2</sup> Organic Sales growth measures sales growth excluding the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons.

<sup>3</sup> Free cash flow productivity is defined as the ratio of operating cash flow less capital spending to net earnings.

We continue to make good progress in a difficult environment on the Company's long term growth strategy of serving more consumers in more parts of the world more completely. We held or grew market shares on businesses representing roughly 60% of our sales with global market share up slightly. We delivered our Core EPS target despite the challenges outlined above while organic sales growth was at the low end of our going-in range. Free cash flow productivity was below target primarily due to the impact of higher commodity costs on inventory and slower tax reimbursements from government authorities.

**Our Compensation Philosophy**

Our fundamental and overriding objective is to create value for our shareholders at leadership levels on a consistent basis. To accomplish this goal, we design executive compensation programs that emphasize pay for performance, support our business strategies, and discourage our executives from taking excessive risks. We ensure that target compensation opportunities for our executives are competitive with the target opportunities for comparable positions at our Peer Group. This is crucial for retention of our talented employees who are committed to the Company's long-term success and to spending their careers with the Company. Furthermore, we align the interests of executives and shareholders by tying a significant portion of executive compensation to performance goals and the value of our Company's stock. These design features, along with significant stock ownership requirements, ensure that executives focus on building long-term shareholder value and benefit from this value along with our shareholders.

**Our Compensation Programs**

Our executive compensation program consists of four key components: salary, Short-Term Achievement Reward ( STAR ) and two long-term incentive equity programs the Performance Stock Program ( PSP ) and the Key Manager Stock Program. These four components constitute approximately 96% of each Named Executive Officer's ( NEO ) total compensation. The remaining 4% consists of retirement and other benefits.

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We design our programs so that NEO compensation varies by type (fixed versus performance-based), length of performance period (short versus long-term) and form (cash versus equity). We believe that such variation is necessary to: (1) strike the appropriate balance between short and long-term business goals; (2) encourage the right behaviors and discourage excessive risk-taking; and (3) align the interests of the Company's executives with our shareholders. Salary is the only key component of pay that is fixed. The values of the remaining components vary based on the performance of the individual, the performance of the individual's business unit and the performance of the Company as a whole. This mix of components is designed to incent both individual accountability and teamwork to build long-term shareholder value. The charts below show the average mix of the key components of NEO compensation by type, length and form.

Consistent with our design principles, actual compensation earned under each of our performance-based programs varies based on results. For example, from 2007-2010, the average STAR payout for NEOs ranged from a low of 82% versus target to a high of 130%. During this same period, the Company's three-year long-term incentive program payout ranged from a low of 42% of target to a high of 120%. These payouts were based on the results delivered versus defined performance targets, highlighting the clear link between pay and performance which underlies our compensation programs.

### CEO Compensation

The target compensation opportunity for Mr. McDonald is structured to position him in-line with chief executive officers in our Peer Group. Approximately 90% of Mr. McDonald's key compensation components are performance-based, with 34% being tied to the three-year quantitative performance goals in the PSP, 39% in the Key Manager Stock Program and 17% in STAR. In addition to a significant portion of his total compensation being performance-based, Mr. McDonald holds nine times his salary in Company stock, exceeding the Board-approved stock ownership requirements, and illustrating his personal investment in building long-term shareholder value.

### Our Approach to Stock Ownership

Employee stock ownership has been a cornerstone of our compensation and retirement programs since William Cooper Procter established the Company's employee stock ownership plan in 1887. The Company makes annual contributions of Company stock to the retirement accounts of all U.S.-based employees beginning shortly after they are hired until the end of their careers.

We reinforce employee stock ownership through share ownership requirements and share retention requirements from stock option exercises. These requirements, when combined with the significant percentage of executive compensation paid in Company equity, ensure that our senior executives always have a significant stake in the long-term success of the Company.

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### **Other Key Program Features**

**Engagement of Independent Adviser.** Our C&LD Committee engages an independent compensation consultant, who performs no other work for the Company, to advise on executive compensation matters.

**Avoidance of Poor Pay Practices.** Our compensation programs are consistent with best practices and sound corporate governance. We do not:

- n Provide excessive perquisites for executives (less than 2% of NEO compensation for FY 2010-11);
- n Execute employment agreements with executives containing special severance payments such as golden parachutes;
- n Utilize severance programs that are specific to executive officers;
- n Gross-up payments to cover personal income taxes that pertain to executive or severance benefits;
- n Provide special executive retirement programs;
- n Re-price or backdate stock options; or
- n Grant time-based equity awards that vest immediately solely on account of a change-in-control (requires a qualifying termination following a change-in-control).

**Mitigation of Excessive Risk-Taking.** We design our compensation programs to discourage excessive risk-taking by executive officers. These design features include the following:

- n Clawback policy that permits the Company to recoup certain compensation payments in the event of a significant restatement of financial results for any reason;
- n Clawback provision in our stock plan to allow recovery of proceeds from stock transactions if a participant violates certain plan provisions;
- n Multiple performance metrics under STAR and PSP discourage excessive risk-taking by removing any incentive to focus on a single performance goal to the detriment of others; and
- n Prohibition on engaging in the following transactions that include shares of Common Stock: pledging, collars, short sales, hedging investments and other derivative transactions.

2011 Compensation Actions and Performance Highlights

**Salary.** On July 1, 2010, Mr. McDonald's salary was increased from \$1,400,000 to \$1,600,000 for his second year as CEO. This positioned his salary slightly below the size adjusted median of other chief executive officers in our Peer Group. Similarly, Mr. Moeller's salary was increased from \$675,000 to \$750,000 to more closely align his salary with chief financial officers in our Peer Group. The Vice Chairmen did not receive salary increases in FY 2010-11.

**STAR Annual Bonus Program.** The Vice Chairmen's STAR Target for FY 2010-11 increased from 105% to 115% of salary to align total annual cash compensation opportunity and mix of pay for performance with comparable roles in the Peer Group. Messrs. McDonald's and Moeller's STAR Targets remained unchanged.

The FY 2010-11 STAR award payout as a percentage of STAR target was 94% for Mr. McDonald, 99% for Mr. Moeller, 105% for Mr. Geissler, 78% for Mr. Panayotopoulos, 77% for Mr. Shirley and 89% for Mr. Steele. These payouts reflect the results achieved versus performance goals, highlighting the link between pay and performance.

**PSP Grant.** We strengthened our goal of paying for performance by replacing the Business Growth Program with the PSP. PSP grants consist exclusively of performance-vested equity. The

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value that the executive eventually receives is determined by the stock price and the number of performance stock units that ultimately vest based on Company performance in each of the four categories that we believe are the most critical for building long-term shareholder value. The four categories for the performance period July 1, 2010 through June 30, 2013 are as follows: organic sales growth, before tax operating profit growth, Core EPS growth and free cash flow productivity. PSP awards do not vest until the end of a three-year performance period.

**Key Manager Stock Grant.** Key Manager Stock Grants represented a lower percentage of target long-term compensation opportunity compared to the prior fiscal year. We lowered the percentage at the same time that we increased the percentage of target long-term compensation opportunity allocated to the PSP, a shift designed to ensure that a larger percentage of NEO pay was tied to our three-year quantitative performance goals.

We design our compensation programs to motivate our executives to win during tough economic times and to achieve our fundamental and overriding objective to create value for our shareholders at leadership levels on a consistent basis. As such, we encourage shareholders to support the Company's advisory Say on Pay resolution which can be found on pages 65 to 67 of this proxy statement.

## **Our Compensation Philosophy**

### What are the Company's overall compensation principles?

The C&LD Committee designs and oversees the Company's compensation policies and approves compensation for all principal officers, including the NEOs. The C&LD Committee has established the following principles for compensating all employees:

**Pay for performance.** We pay more when goals are exceeded and less when goals are not met.

**Pay competitively.** We set target compensation opportunity to be competitive with other multinational corporations of similar size, value and complexity.

**Support the business strategies.** We align compensation programs with business strategies focused on long-term growth and creating value for shareholders. These programs provide an incentive for executives to meet and exceed Company goals. These principles encourage the right behaviors, enable us to deliver strong shareholder value over time, and ensure the development and retention of talented employees who are committed to the Company's long-term success and career development.

### What are the Company's executive compensation objectives?

**To drive superior business results and financial performance** by providing incentives to executives to achieve or exceed Company, business unit ( Business Unit ) and individual goals, while discouraging excessive risk-taking by removing any incentive to focus on a single performance goal to the detriment of others.

**To instill a focus on long-term success** by holding executives accountable for long-term measures of success designed to provide superior returns for shareholders over time.

**To create ownership alignment with shareholders** by including Company stock as a cornerstone of our executive pay programs.

**To strengthen retention** by paying competitively and rewarding talented executives who meet or exceed goals.

How is competitiveness established for executive compensation?

The C&LD Committee structures executive compensation so that total targeted annual cash and long-term compensation opportunities are competitive with the targets for comparable positions at 25

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companies considered to be our peers, based on criteria described below ( Peer Group ). The C&LD Committee sets targets for each element of compensation based on the same elements of compensation paid to those holding similar jobs at companies in our Peer Group, focusing on positions with similar management and revenue responsibility. The C&LD Committee uses a regression analysis to adjust for the differences in revenue size within the Peer Group. For the CEO s compensation analysis, the C&LD Committee considers the Company s revenue and market capitalization compared to our Peer Group.

The Peer Group is objectively determined and consists of companies that generally meet the following criteria:

Revenue comparable to the Company (\$79 billion in FY 2009-10) and/or market capitalization comparable to the Company (approximately \$171 billion as of June 30, 2010);

n Peer Group revenues range from \$15 billion to \$406 billion with a median of \$62 billion; and

n Peer Group market capitalization ranges from \$25 billion to \$369 billion with a median of \$100 billion.

Compete with the Company in the marketplace for business and investment capital;

Compete with the Company for executive talent; and

Have generally similar pay models (we do not compare with financial services, insurance or gas and electric utility companies where the mix of pay elements or program structure is materially different).

Each year, the C&LD Committee evaluates and, if appropriate, updates the composition of the Peer Group. Changes to the Peer Group are carefully considered and made infrequently to assure continuity from year to year. The Peer Group currently consists of the following companies unchanged from the prior year:

3M	Coca-Cola	General Electric	Kimberly-Clark	Pfizer
Altria Group	Colgate-Palmolive	Hewlett-Packard	Kraft Foods	Target
AT&T	ConocoPhillips	Home Depot	Lockheed Martin	United Technologies
Boeing	Du Pont	IBM	Merck	Verizon Communications
Chevron	Exxon Mobil	Johnson & Johnson	PepsiCo	Wal-Mart Stores

While the target total compensation for our NEOs is set based on the median target total compensation within our Peer Group, actual compensation varies depending on experience in role and total Company, Business Unit and individual performance. This may result in substantial differences among the NEOs pay. Consistent with our principles to pay for performance and pay competitively, the C&LD Committee does not set guidelines for the ratio of any one position s pay to another.

**Who are the Company s NEOs?**

The Company s NEOs for FY 2010-11 are: Robert A. McDonald, Chairman of the Board, President and Chief Executive Officer; Jon R. Moeller, Chief Financial Officer; and our Vice Chairmen (in alphabetical order) Werner Geissler, Vice Chairman Global Operations; E. Dimitri Panayotopoulos, Vice Chairman Global Household Care; Edward D. Shirley, Vice Chairman Global Beauty & Grooming; and Robert A. Steele,

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Vice Chairman Health Care Strategy, former Vice Chairman Global Health and Well-Being. Mr. Steele has announced his intention to retire effective September 1, 2011, and Mr. Shirley has announced his intention to retire effective January 1, 2012.

Throughout this Compensation Discussion and Analysis and the compensation tables that follow, except where noted, we refer to the title of each NEO in effect on the last day of the fiscal year, June 30, 2011.

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**Our Compensation Programs**

What are the elements of the Company's executive compensation programs?

Annual Cash Compensation

The Company's annual cash compensation consists of salary and STAR. We collect and analyze data from the Peer Group on the total annual cash compensation opportunity (salary plus annual bonus target) for positions comparable to those at the Company. For each position, we set a target amount for both salary and STAR ( STAR Target ), where the STAR Target is an amount payable as a percentage of annual salary if all goals are met. The sum of the salary range midpoint and STAR Target for each position is generally set at the target median annual cash compensation opportunity of similar positions within our Peer Group, adjusted for size using a regression analysis of Peer Group revenues.

Salary

Salary provides a competitive fixed rate of pay, recognizing different levels of responsibility within the Company. Salaries are the basis for the other performance-driven programs discussed below, as well as the basis for retirement programs, executive group life insurance and certain benefits available to all employees. On July 1, 2010, Mr. McDonald's salary was increased from \$1,400,000 to \$1,600,000 to more closely align his salary with chief executive officers in the Peer Group. Mr. Moeller's salary was increased from \$675,000 to \$750,000 on July 1, 2010, to more closely align his salary with chief financial officers in the Peer Group. The Vice Chairmen did not receive salary increases in FY 2010-11.

STAR Annual Bonus

The STAR program provides an incentive for approximately 14,000 senior managers to meet or exceed annual performance and business goals. The program primarily focuses on the achievement of

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Business Unit results, but includes a component that measures the performance of the Company as a whole. STAR awards are generally paid in cash, but executives can elect to receive their awards in RSUs, stock options or deferred compensation.

STAR awards are based on three factors: (1) STAR Target, (2) Business Unit performance and (3) total Company performance. STAR awards are calculated using the following formula:

$$\begin{array}{rcccl}
 \text{STAR} & & \text{Business Unit} & & \text{Total} \\
 \text{Target} & & \text{Performance} & & \text{Company} \\
 & & \text{Factor} & & \text{Performance} \\
 (\$) & \times & (\%) & \times & = & \text{STAR} \\
 & & & & & \text{Award} \\
 & & & & & (\$)
 \end{array}$$

The basis for each element of STAR is:

**STAR Target.** The C&LD Committee sets STAR Targets, expressed as a percentage of salary for NEOs, based on the target annual bonus opportunities for similar positions in our Peer Group after taking into account the total annual cash compensation for those positions. Based solely on that analysis, the C&LD Committee made each of the following decisions: The CEO's STAR Target remained at 175% of salary and the CFO's STAR Target remained at 105%. The STAR Target for the Vice Chairmen increased from 105% to 115% to align total targeted annual cash compensation and mix of pay for performance with comparable roles in the Peer Group.

**Business Unit Performance Factor.** The Business Unit Performance Factor for each Business Unit is derived from a retrospective assessment of the qualitative and quantitative performance of the Business Unit against certain performance targets. Business Units include global product categories, regional market development organizations ( MDOs ) and corporate functions (see table below for a description of the Business Units for each Vice Chairman). The targets for each Business Unit vary, reflecting a variety of factors such as the different industries in which the Company's businesses compete and their growth potential. The targets are determined based on the long-term goals in relation to each business' role in the Company's portfolio.

The C&LD Committee carefully considers the metrics used to measure performance to minimize the risk of too much focus on one result to the detriment of building long-term shareholder value. Each Business Unit's performance against these targets is discussed and evaluated by the CEO, the CFO and the Global Human Resources Officer. Based on their review, they provide a recommendation for each Business Unit Performance Factor to the C&LD Committee for review and approval. None of these officers participates in the determination or recommendation for the Business Unit Performance Factor used for their own STAR award. Each Business Unit Performance Factor is established after considering:

- § *Quantitative measurements* of top-line growth in volume, sales and market share, and bottom-line measures of profit, operating cash flow and operating total shareholder return (a cash flow return on investment model that measures sales growth, earnings growth and cash flow to determine the rate of return that a business earns); and
- § *Qualitative measures* that are retrospective assessments of performance relative to competitors, coordination and collaboration with other Business Units, the quality of business strategy and business model, the strength of the innovation program and the portfolio and other considerations such as adherence to ethical standards and response to the external economic environment and unpredictable events like natural disasters.

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The Business Unit Performance Factor for each Business Unit can range from 53% to 167% (with a target level of 100%). The Business Unit Performance Factor has a wide range and the greatest potential impact on the amount of each STAR award.

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The Business Unit Performance Factor for each of the NEOs is based on the combined results of each of the smaller Business Units for which the NEO is ultimately responsible. For example, the Business Unit Performance Factor for the Vice Chairman Global Household Care, consists of a weighted average of the Business Unit Performance Factors of the individual Business Units within Global Household Care. There are no separate performance goals for Global Household Care for purposes of compensation.

*Fiscal Year 2010-11 Results:* The table that follows summarizes the primary responsibilities and inputs used to determine each Business Unit Performance Factor recommended to the C&LD Committee for each NEO other than Messrs. McDonald and Moeller.

For Mr. Geissler, the Business Unit Performance Factor of 115% is based on the weighted average of the performance factors for the regional MDOs for which he is responsible. In FY 2010-11, those organizations delivered adjusted organic sales growth of 5%, which was in-line with target, and gained market share for the year. The management of MDO-related costs was above target.

The Business Unit Performance Factor for Mr. Panayotopoulos was 86%. Global Household Care delivered organic sales growth of 5%, equal to target, and grew market share. Segment earnings were down 7%, below target. Results were generally ahead of competition.

For Mr. Shirley, the Business Unit Performance Factor of 85% reflects slightly below target results for Global Beauty & Grooming. Organic sales growth was 4%, slightly below target, and market share was flat versus prior year. Segment earnings were up 3%, below target. Results were slightly behind competition.

The Business Unit Performance Factor for Mr. Steele was 98%. Health & Well Being GBU results were negatively impacted by one-time supply issues in Pet Care. Excluding this impact, the GBU delivered organic sales growth of 5%, equal to target, and grew market share. Segment earnings were down 2%, slightly below target. Results were generally in line with competition. This award also reflects excellent execution of the agreed portfolio expansion plans in Oral Care as well as the positive evolution of the Consumer Health Care strategy and portfolio.

NEO	Role	STAR Business Unit		Business Unit Performance	Business Unit Performance Factor
		Responsibility	Factor Inputs	(%)	
Werner Geissler	Vice Chairman Global Operations	Global	Asia MDO	Weighted average of the performance factors for MDOs (country organizations and sales forces) listed in the STAR Business Unit Responsibility column	115%
			CEEMEA MDO		
			Latin America MDO		
			North America MDO		
			Western Europe MDO		
E. Dimitri Panayotopoulos	Vice Chairman Global Household Care	Global	Baby Care	Weighted average of the performance factors for the businesses listed in the STAR Business Unit Responsibility column	86%
			Batteries		
			Fabric Care		
			Family Care		
			Home Care		
Edward D. Shirley	Vice Chairman Global Beauty & Grooming	Global	Appliances	Global Beauty & Grooming results	85%
			Female Beauty		

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			Hair Care		
			Male Grooming		
			Prestige		
			Professional Salon		
<b>Robert A. Steele</b>	Vice Chairman	Health	Feminine Care	Weighted average of the performance factors for the businesses listed in the STAR Business Unit Responsibility column	98%
	Care Strategy		Oral Care		
			Personal Health Care		
			Pet Care		
			Snacks		

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**Total Company Performance Factor.** This factor is determined by evaluating Company performance on two measures against targets predetermined by the C&LD Committee: (1) organic sales growth and (2) Core EPS growth. The C&LD Committee selected metrics that, in combination, encourage a balanced focus on both short and long-term results.

*Organic sales growth:* The C&LD Committee includes organic sales growth in the Total Company Performance Factor because it drives total shareholder return, is a tangible measure for which managers take ownership and is directly linked to the performance of each business. For FY 2010-11, the organic sales growth target was 5%, which is up from 3% in FY 2009-10 and represented an expectation of improved global economic conditions.

*Core EPS growth:* This measure assures continued Company alignment with shareholder interests. The target for Core EPS growth for FY 2010-11 was 8%, which is up from 3% in FY 2009-10 and represented an expectation of improved global economic conditions.

The Total Company Performance Factor is determined by a matrix that includes a series of growth rates for organic sales growth ranging from £ 3.5% to <sup>3</sup> 6.5% along a horizontal axis and a series of growth rates for Core EPS ranging from £ 5% to <sup>3</sup> 11% along a vertical axis. The matrix provides for a Total Company Performance Factor of 100% when both results are at the target performance level. If both results are at or below the minimum performance level, the Total Company Performance Factor is 80%. If both results are at or above the maximum performance level, the Total Company Performance Factor is 130%. For results that fall between the minimum and maximum performance levels, the matrix assigns a Total Company Performance Factor between 80%-130%. The Total Company Performance Factor varies with each particular combination of results achieved for these measures within the ranges set forth in the matrix.

*Fiscal Year 2010-11 Results:* Organic sales growth for the Company was 4%, below target, and Core EPS growth was in-line with target at 8%. These two results produced a Total Company Performance Factor of 91%, below target.

The C&LD Committee retains the authority to make no STAR award in a given year and the discretion to accept, modify or reject management's recommendations for any or all employees, including the NEOs. For FY 2010-11, the Committee accepted management's recommendations and approved STAR awards for eligible employees. The combined STAR performance factors resulted in a Company average STAR award of 94% of STAR Target.

The following shows the calculation of the C&LD Committee-approved STAR awards for each NEO:

**STAR Annual Bonus**

NEO	STAR Target (\$)	Total Company Performance Factor	Business Unit Performance Factor	STAR Award (\$)	STAR Award as % of Target
<b>Robert A. McDonald</b>	2,800,000	Committee Decision Based on Performance		2,632,000	94%
<b>Jon R. Moeller</b>	787,500	Committee Decision Based on Performance		781,121	99%
<b>Werner Geissler</b>	1,086,750	91%	115%	1,137,284	105%
<b>E. Dimitri Panayotopoulos</b>	1,132,750	91%	86%	886,490	78%
<b>Edward D. Shirley</b>	1,086,750	91%	85%	840,601	77%
<b>Robert A. Steele</b>	1,086,750	91%	98%	969,164	89%

The STAR awards approved by the C&LD Committee for Messrs. Geissler, Panayotopoulos, Shirley and Steele were calculated using the formula described on page 30 of this proxy statement. The C&LD Committee reviewed the recommendations provided for the Business Unit Performance Factors and total STAR awards and, after considering the performance of the total Company and each Business Unit, approved the above STAR awards for each of these NEOs.

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Because they evaluate and recommend Business Unit Performance Factors for the other NEOs, the STAR awards for Messrs. McDonald and Moeller are determined separately and directly by the C&LD Committee. The CEO provides the C&LD Committee with a recommendation to assist with its evaluation and determination of Mr. Moeller's STAR award.

The Committee accepted Mr. McDonald's recommendation for Mr. Moeller's award in the amount of \$781,121 which was equal to 99% of his STAR Target. Mr. McDonald's recommendation reflects the average of: (1) the Business Unit Performance Factor for the Finance & Accounting Function that Mr. Moeller leads, which was based on Mr. McDonald's assessment of the function's performance throughout the fiscal year, with input from each of the Company's Vice Chairmen; and (2) the Company average of all Business Unit Performance Factors. The Committee concluded that basing 50% of Mr. Moeller's Business Unit Performance Factor on the average of all Business Unit Performance Factors, and 50% on the performance of the Finance & Accounting Function, was appropriate given his role as CFO.

The C&LD Committee approved a STAR award of \$2,632,000 for Mr. McDonald which was equal to 94% of his STAR Target and in-line with the Company's average STAR award as a percent of target. The C&LD Committee determined that an award equivalent to the Company average was appropriate because it reflected Mr. McDonald's leadership in the achievement of total Company results.

**Summary of Total Annual Cash Compensation**

The total annual cash compensation for each of our NEOs for FY 2010-11 is the sum of each officer's salary and STAR award and reflects the scope and complexity of the business he leads. Mr. McDonald's total annual cash compensation was \$4,232,000, which was well-below the median of actual annual cash compensation of chief executive officers in the Peer Group. This result was largely due to Mr. McDonald's STAR award paying below STAR target. Mr. McDonald's STAR payout reflects the results delivered by the Company versus defined performance targets, highlighting the link between pay and performance.

The table below summarizes the total annual cash compensation of each NEO:

NEO	Salary	STAR Award	Total
			Annual Cash Compensation
	(\$)	(\$)	(\$)
<b>Robert A. McDonald</b>	1,600,000	2,632,000	4,232,000
<b>Jon R. Moeller</b>	750,000	781,121	1,531,121
<b>Werner Geissler</b>	945,000	1,137,284	2,082,284
<b>E. Dimitri Panayotopoulos</b>	985,000	886,490	1,871,490
<b>Edward D. Shirley</b>	945,000	840,601	1,785,601
<b>Robert A. Steele</b>	945,000	969,164	1,914,164

**Long-Term Incentive Programs**

Long-term incentive compensation comprises the majority of total compensation for senior executives and is paid through two programs—the PSP and the Key Manager Stock Grant. The C&LD Committee establishes an annual target for total long-term compensation consistent with the target median total long-term compensation of comparable positions at the Peer Group regressed for revenue size. It then allocates this overall target into a target for each of the two programs. First, PSP targets are set to represent about half of the total long-term compensation target. Next, the targets for the Key Manager Stock Grant are established by subtracting the discounted value of the PSP targets from the overall target.

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total long-term compensation. In FY 2010-11, the C&LD Committee lowered the percentage of the long-term incentive target allocated to the Key Manager Stock Grant in order to increase the allocation applied to the three-year quantitative performance goals utilized by the PSP. The ultimate value of these awards depends upon Company performance and stock price.

**Performance Stock Program**

The PSP focuses executives on the long-term goals most critical to the overall success of the Company. The value of PSP compensation is based on Company performance against three-year performance goals ( Performance Goals ) in categories ( Performance Categories ) focused on building shareholder value. The four Performance Categories include: organic sales growth, before tax operating profit growth, Core EPS growth and free cash flow productivity. The C&LD Committee sets the Performance Goals for each three-year period that begins on July 1 and ends on June 30, three years later (the Performance Period ). In the first year of each Performance Period, the C&LD Committee grants Performance Stock Units ( PSUs ) to participants ( Initial PSU Grant ).

The C&LD Committee also uses a sliding scale to measure results in each Performance Category to establish a performance factor (each, individually, a Performance Factor; together, in the aggregate, Performance Factors ). These Performance Factors range from a minimum of 0% to a maximum of 200%, with a target of 100% for each Performance Category. This results in a participant having the ability to earn a maximum number of shares of Common Stock equal to two times the Initial PSU Grant or a minimum of zero depending on the Company performance versus the Performance Goals. Performance Factors for Company results falling between the minimum, target and maximum levels are determined via linear interpolation. Using the sliding scale to reward performance versus the Performance Goals, as opposed to all or nothing goals, discourages participants from taking unnecessary risks to ensure a final payment under the program. This aligns the interests of the NEOs with shareholders by encouraging participants to focus on the long-term performance of the Company over a multi-year period. At the end of each Performance Period, the C&LD Committee determines the Performance Factor for each Performance Category based on the Company's results versus the Performance Goals. The average of the four Performance Factors is multiplied by the Initial PSU Grant to determine the vested PSUs. The formula is as follows:

$$\begin{array}{l}
 \text{Average of Sales} \\
 \text{Performance Factor,} \\
 \text{Profit Performance} \\
 \text{Factor, EPS Performance} \quad \times \quad \text{Initial PSU Grant} \quad = \quad \text{Vested PSUs} \\
 \text{Factor, and Cash Flow} \\
 \text{Performance Factor}
 \end{array}$$

The vested PSUs are then converted into Common Stock and delivered to the applicable participant following the end of the Performance Period.

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For the Performance Period July 1, 2010 through June 30, 2013, the C&LD Committee granted Mr. McDonald 91,198 PSUs valued at \$5,349,257 and granted Messrs. Geissler, Moeller, Panayotopoulos, Shirley and Steele 26,963 PSUs valued at \$1,581,526. The following chart outlines the Performance Goals established for each Performance Category and the minimum, target and maximum levels for each Performance Factor.

Performance		Three-Year	Performance	Performance
Category	Description	Performance Factor Goal Target (100%)	Factor Min (0%)	Factor Max (200%)
Organic Sales Growth	Sales growth that excludes the impact of acquisitions, divestitures and foreign exchange	60th percentile rank versus competitive peer group	£ 30th percentile	<sup>3</sup> 90th percentile
Before Tax Operating Profit Growth	Net sales, less the cost of product sold and less selling, general and administrative expense, after adjustments	7.7% compound annual growth	£ 4.7%	<sup>3</sup> 10.7%
Core EPS Growth	Diluted earnings per share growth, after adjustments	8.7% compound annual growth	£ 5.7%	<sup>3</sup> 11.7%
Free Cash Flow Productivity	Operating cash flow, less capital spending, divided by net earnings, after adjustments	95%	£ 70%	<sup>3</sup> 120%

**Key Manager Stock Grant**

The Key Manager Stock Grant is the second component of the Company's long-term incentive compensation for its senior executives. It is paid in stock options and/or RSUs, focuses senior executives' attention on the long-term performance of the Company and directly links executives' interests to those of shareholders. Stock options are not exercisable (do not vest) until three years from the date of grant and expire ten years from the date of grant. RSUs deliver in shares five years from the date of grant. In addition to focusing executives on the long-term success of the Company, these restrictions enhance retention because employees who voluntarily resign from the Company during the specified periods forfeit their grants.

Once the Key Manager Stock Grant target is established based on Peer Group competitive data and the establishment of the PSP target, the CEO recommends specific grants to the C&LD Committee for each NEO based on: (1) the prior year's business results attributable to each NEO; (2) the prior year's Key Manager Stock Grant for each NEO; (3) summaries of business results for each Business Unit attributable to each NEO for the current fiscal year; and (4) individual contributions to the business by each NEO, including that individual's leadership skills. These recommendations can be up to 50% above or 50% below target. In exceptional cases, no grant will be awarded. The C&LD Committee retains full authority to accept, modify or reject these recommendations.

For FY 2010-11, the C&LD Committee awarded the following grants to each of the Vice Chairmen and the CFO: Mr. Geissler \$2,294,581; Mr. Panayotopoulos \$2,595,600; Mr. Shirley \$1,694,795; Mr. Steele \$1,912,138; and Mr. Moeller \$1,694,795. These grants were based on Mr. McDonald's recommendation using individual performance and competitive market data on long-term incentive opportunity for similar jobs in our Peer Group. These awards also reflected a change in the mix of long-term incentives by reducing the percentage of long-term compensation allocated to time-vested Key Manager stock grants and increasing the percentage allocated to the performance-vested equity in PSP.

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The C&LD Committee awarded Mr. McDonald a Key Manager Stock Grant of \$6,171,877 based on total Company and individual performance as described on pages 37 to 38 of this proxy statement.

### **Summary of Total Long-Term Incentive Compensation**

Our NEOs' total long-term compensation includes the PSP and the Key Manager Stock Grant. The PSP grant represents approximately half of the total long-term incentive compensation for each NEO and is payable at the end of the performance period only to the extent that results are delivered in the four performance categories. The total long-term incentive compensation for each of the Vice Chairmen and the CFO was: Mr. Geissler \$3,876,107; Mr. Panayotopoulos \$4,177,126; Mr. Shirley \$3,276,321; Mr. Steele \$3,493,664; and Mr. Moeller \$3,276,321. These long-term incentive awards were based on Mr. McDonald's recommendation to reflect their business unit results and leadership in the previous year. Mr. Geissler's and Mr. Panayotopoulos' awards represent a modest increase for their strong business results in the prior year. Mr. Shirley's award moves him closer to the market, recognizing his additional experience as a Vice Chair and his leadership of the Beauty & Grooming business. Mr. Steele's award is consistent with last year, recognizing his continued contributions in the Health and Well Being business. Mr. Moeller's award represents an increase versus last year, bringing his long-term compensation opportunity more in-line with the market and recognizing strong performance in his third year as the Company's CFO.

Mr. McDonald's total long-term incentive compensation of \$11,521,134 is consistent with the long-term incentive compensation of chief executive officers in our Peer Group for companies of similar size and recognizes total Company and individual performance as described on pages 37 to 38 of this proxy statement.

### **Special Equity Awards**

On rare occasions, the C&LD Committee makes special equity grants in the form of restricted stock or RSUs to senior executives to assure retention of the talent necessary to manage the Company successfully or to recognize superior performance. There were no special equity awards granted by the Committee during FY 2010-11 to NEOs.

### **Retirement Programs**

The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan (PST) is the Company's primary retirement program for U.S.-based employees. The PST is a qualified defined contribution plan providing retirement benefits for full-time U.S. employees, including the NEOs. Under the PST, the Company makes an annual contribution of cash used to purchase Company stock deposited into each participant's PST account, upon which dividends are earned. The amount of the stock grant varies based upon individual salaries and years of service.

Some participants in PST (including the NEOs) do not receive their full grant due to federal tax limitations. As a result, they participate in the nonqualified PST Restoration Program. These individuals receive RSUs valued at an amount equal to the difference between the contribution made under PST and what would have otherwise been contributed under PST, but for the tax limitations. Participants are vested in their PST accounts after five years and their PST Restoration RSUs are forfeitable until they become eligible for retirement.

We are proud of the way PST and the PST Restoration Program have created ownership at all levels of our Company. We believe these programs continue to serve the Company and its shareholders well by focusing employees on the long-term success of the business.

For non U.S.-based employees, individual country plans provide retirement benefits. In addition, the Company offers the International Retirement Plan (IRP) and the Global International Retirement Arrangement which provide supplemental benefits to employees who work in multiple countries during their careers. Messrs. Geissler and Panayotopoulos participate in these programs.

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Mr. Shirley was employed by The Gillette Company prior to the merger and participated in The Gillette Retirement Plan, a defined benefit plan covering full-time U.S. employees. The benefits in this plan were frozen as of December 31, 2007. Some participants in The Gillette Retirement Plan, including Mr. Shirley, would not receive their full pension benefits due to federal tax limitations and participate in the nonqualified Gillette Supplemental Retirement Plan. Similar to the PST Restoration Plan described above, the Gillette Supplemental Retirement Plan provides a benefit equal to the difference between the benefit provided under The Gillette Retirement Plan and the benefit that otherwise would have been provided by that plan, but for the tax limitations. In addition, Mr. Shirley participates in the Gillette Employee Stock Ownership Plan, which is a qualified retirement plan allowing eligible participants to fund their participation in a Gillette retiree medical plan.

**Executive Benefits**

The Company provides certain other limited benefits to senior executives to fulfill particular business purposes, which are primarily for convenience and personal security. Total executive benefits were less than 2% of total compensation for NEOs during FY 2010-11. Benefits such as home security systems, secured workplace parking and an annual physical health examination are provided to safeguard NEOs. While Company aircraft are generally used for Company business only, for security reasons Mr. McDonald is required by the Board to use Company aircraft for all air travel, including personal travel. To increase executive efficiency, in limited circumstances, NEOs may travel to outside board meetings on Company aircraft, in which case the Company generally receives some reimbursement from the companies on whose boards our executives serve. In addition, if a Company aircraft flight is already scheduled for business purposes and can accommodate additional passengers, NEOs and their spouse/guests may join flights for personal travel. To the extent any travel on Company aircraft results in imputed income to the NEO, the NEO is responsible for paying the taxes on that income and the Company does not provide gross-up payments to cover the NEO's personal income tax due. We also reimburse NEOs for tax preparation and some financial counseling to minimize distractions and keep their attention focused on Company business and to assure accurate personal tax reporting. To remain competitive and retain our top executives, we offer executive group whole life insurance coverage (equal to salary plus STAR Target). Finally, to further increase executive efficiency, we provide limited local transportation within Cincinnati. The C&LD Committee reviews these arrangements regularly to assure they continue to fulfill business needs and remain reasonable versus market practice.

**CEO Compensation**

Mr. McDonald's compensation is determined by the C&LD Committee with assistance from the C&LD Committee's independent compensation consultant, Frederic W. Cook & Co. The C&LD Committee also reviews a summary of all elements of Mr. McDonald's total compensation, including salary, STAR, Key Manager Stock Grant, PSP award, any special equity award, unrealized gains from stock options, restricted stock and RSUs and the cost to the Company of all retirement programs, benefits and executive benefits.

In evaluating Mr. McDonald's compensation for FY 2010-11, the C&LD Committee considered various things, including his creation and execution of the Purpose-inspired Growth Strategy to touch more consumers' lives, in more parts of the world, more completely. The C&LD Committee also considered each of the following:

*Fact that Mr. McDonald's compensation was set at a below-market level at the time of his promotion to CEO in 2009*

*His continued leadership in executing the Company's Purpose-inspired Growth Strategy*

*His personal contributions to improving the Company's business fundamentals including:*

§ *Broad-based organic volume growth versus the previous year in 5 of 6 business segments, 15 of our top 17 countries, and 21 of our 24 billion dollar brands*

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§ *Market share is in-line or higher in 4 of 5 geographic regions, in 11 of our top 17 countries, and 17 of our 24 billion dollar brands*

§ *Introduction of roughly 32 products into new category/country whitespaces, 78 products into new category/price tiers and entry into 75 new category/channel combinations*

*External recognition of Mr. McDonald's leadership and the Company's continued leadership during his tenure, including notable positions on the lists of:*

§ *Fortune's Top Companies for Leaders*

§ *Bloomberg Business Week / Hay Group's Twenty Best Companies for Leadership*

§ *SymphonyIRI Group 2010 New Product Pacesetters: 4 of the top 10 and 8 of the top 25 Non-food Brands*

§ *Fortune's Global Most Admired Companies*

§ *Business Week's World's Most Innovative Companies*

§ *Barron's World's Most Respected Companies List*

§ *Global 100 Most Sustainable Corporations in the World*

§ *WomenCorporateDirectors' Visionary Award for Leadership and Governance*

§ *National Association of Female Executives' Top 10 Company for Executive Women*

§ *DiversityInc's Top 50 Companies for Diversity*

For FY 2010-11, the Committee modestly increased Mr. McDonald's total compensation opportunity. This decision was based on Mr. McDonald's personal performance and contributions as CEO, and the Committee's desire to bring his total compensation opportunity closer to chief executive officers in the Peer Group. The Committee also allocated a larger percentage of his long-term incentive compensation to the performance-based three-year PSP and elected not to award any time-vested RSUs as part of his FY 2010-11 Key Manager Stock Grant.

The Summary Compensation Table on page 43 of this proxy statement reflects a significant increase in total compensation for Mr. McDonald versus FY 2009-10. However, the C&LD Committee approved only a mid-single digit increase in Mr. McDonald's total compensation opportunity for FY 2010-11. The difference is the result of SEC rules for reporting long-term equity incentive compensation. Consistent with these rules, there was no reported equity grant compensation under the Company's prior three-year performance program in FY 2009-10 because that grant was reported in the FY 2008-09 Summary Compensation Table, when the last such multi-year grant was made. After adjusting for the periodic nature of such grants, Mr. McDonald's total compensation opportunity increased mid-single digits versus prior year.

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Even though Mr. McDonald's total annual cash compensation opportunity increased for FY 2010-11, his total annual cash compensation received was well-below the median actual cash compensation for chief executive officers in the Peer Group. This was largely due to his STAR award paying below target, reflecting the Company's results versus defined performance targets.

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### **Our Approach To Stock Ownership**

For our employees, focus on the long-term success of the Company and creating shareholder value begins at hire and is often built over decades. Because we have a longstanding practice of building our organization from within, most of our employees spend their entire careers with the Company. Whether an employee begins a career with the Company, or joins as a result of an acquisition, our compensation programs and our approach towards stock ownership, encourage them to focus on the long-term success of the Company and creating shareholder value. This dynamic creates an inextricable link between the long-term success of the individual and the long-term success of the Company – it is difficult to achieve the former without the latter. We tailor our compensation programs to reinforce this result.

### **Employee Stock Ownership Aligns the Interests of Executives and Shareholders**

Employee stock ownership has long been an important aspect of the Company's culture of commitment to long-term success. William Cooper Procter established the Company's employee stock ownership plan in 1887. Today it is the oldest continuous profit sharing plan of its kind in the United States. For more than 120 years, this innovative plan has connected employees to the Company's long-term success. The Company makes annual contributions of Company stock to the retirement accounts of all U.S.-based employees beginning shortly after they are hired until the end of their careers. By making employees shareholders early on, and increasing their level of ownership over time, we consistently reinforce the importance of long-term success – both for the individual and for the Company.

The Company's annual grant of stock options and RSUs to the Company's key managers further reinforces the executives' focus on the long-term success of the Company and creating shareholder value by further tying their personal success to that of other shareholders. Our key managers hold these stock options for an average of eight years (five years beyond the vesting date) before they exercise. This reflects a culture that is focused on, and confident in, the long-term success of the Company.

The long-term focus that comes with stock ownership is even more pronounced for our senior executives. Most of our NEOs have risen through the Company's ranks and their personal wealth is often tied to the Company stock and options that they have accumulated over the course of their careers. Our NEOs have an average of 31 years of service at the Company or its subsidiaries' long-term careers during which these individuals – first as employees, then as managers, then as senior executives – build shareholder value and benefit from the value they help to create.

### **Ownership and Holding Requirements Focus on Long-Term Success**

To reinforce the importance of stock ownership and long-term focus for our most senior executives, including the NEOs, the C&LD Committee established the Executive Share Ownership Program and Stock Option Exercise Holding Requirement. The Executive Share Ownership Program requires the CEO to own shares of Company stock and/or RSUs valued at a minimum of eight times salary. All other NEOs must own stock and/or RSUs valued at a minimum of five times salary. The C&LD Committee annually reviews these holdings, and in 2011 each NEO exceeded these requirements.

The Stock Option Exercise Holding Requirement ensures executives remain focused on sustained shareholder value even after exercising their stock options. The holding requirement applies when an executive, including a NEO, has not met the ownership requirements of the Executive Share Ownership Program. Additionally, the holding requirement does not apply to incentive plan awards that executives elect to take as stock options instead of cash or unrestricted stock. Under the holding requirement, the CEO would be required to hold the net shares received from stock option exercises for at least two years. The other NEOs must hold net shares for at least one year.

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### **Other Key Compensation Program Features**

This additional information may assist the reader in better understanding the Company's compensation practices and principles.

#### **Engagement of Independent Adviser**

The C&LD Committee has directed Frederic W. Cook & Co., its outside and independent compensation consultant, to advise it on various compensation matters, including Peer Group identification, competitive practices and trends, specific program design and Committee actions with respect to principal officer compensation. Under the terms of its agreement with the C&LD Committee, Frederic W. Cook & Co. is prohibited from doing any other business for the Company or its management, and the C&LD Committee may contact Frederic W. Cook & Co. without any interaction from Company management. This is meant to ensure the independence of the C&LD Committee's compensation consultant.

Company management uses a separate compensation consultant, Meridian Compensation Partners, LLC, to provide compensation advice, competitive survey analysis and other benchmark information related to trends and competitive practices in executive compensation.

#### **Avoidance of Poor Pay Practices**

#### **Perquisites**

The Company provides limited benefits to NEOs to fulfill particular business purposes as explained on page 37 of this proxy statement. No changes were made to executive benefits over the past year and the Company continues to manage executive benefits as a very small percentage (less than 2%) of total compensation for the NEOs.

#### **Employment Contracts**

The C&LD Committee believes employment contracts for executives are not necessary because most have spent the majority of their professional careers with the Company, and have developed a focus on the Company's long-term success. Moreover, the C&LD Committee does not provide special severance payments, such as golden parachutes, to its executives. In the event the Company encourages a NEO, or any other U.S. employee, to terminate employment with the Company (but not for cause), that individual may receive a separation allowance of up to one year's annual salary, calculated based on years of service.

#### **Tax Gross-Ups**

Generally, the Company does not increase payments to any employees, including NEOs, to cover non-business related personal income taxes. However, certain expatriate allowances, relocation reimbursements and tax equalization payments are made to employees assigned to work outside their home countries, and the Company will cover the personal income taxes due on these items in accordance with expatriate policy because there is a business purpose. In addition, from time to time, the Company may be required to pay personal income taxes for certain separating executives hired through acquisitions in conjunction with pre-existing contractual obligations.

#### **Governing Plans, Timing, Pricing and Vesting of Stock-Based Grants**

All grants of stock options, PSUs, restricted stock and/or RSUs made after October 13, 2009, are made under The Procter & Gamble 2009 Stock and Incentive Compensation Plan (as amended) (2009 Plan). The 2009 Plan was approved by Company shareholders at the October 13, 2009, annual

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shareholders' meeting. Previous grants were made under The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended) ( 2001 Plan ) and The Gillette Company 2004 Long-Term Incentive Plan ( 2004 Gillette Plan ). The 2001 Plan was approved by Company shareholders. The 2004 Gillette Plan was approved by Gillette shareholders and adopted by the Company in 2005 as part of our merger with The Gillette Company.

The 2009 Plan contains a second trigger vesting provision which limits accelerated vesting to involuntary terminations of employment for reasons other than cause and for terminations of employment for good reason when time-based equity awards are assumed as part of a change in control.

With the exception of any special equity awards discussed on page 36 of this proxy statement, the Company grants stock, PSUs, RSUs and stock options on dates that are consistent from year to year. If the C&LD Committee changes a grant date, it is done in advance and only after careful review and discussion. The Company does not backdate stock options.

The Company has never re-priced stock options and is not permitted to do so without prior shareholder approval. We use the closing price of the Common Stock on the date of grant to determine the grant price for executive compensation awards. However, because PST uses the value of shares based on the average price of Common Stock for the last five days in June, the grants of RSUs made under the PST Restoration Program and International Retirement Plan follow this same grant price practice. The pre-established grant dates for the programs are as follows: PST Restoration and IRP, first Thursday in August; STAR, last business day on or before September 15; and PSP and Key Manager Stock Grants, last business day of February (and, if necessary for corrections, on the last business day on or before May 9).

### **Mitigation of Excessive Risk-Taking**

#### **Recoupment & Clawback**

The C&LD Committee adopted the Senior Executive Officer Recoupment Policy that permits the Company to recoup or clawback STAR or long-term incentive program payments made to executives in the event of a significant restatement of financial results for any reason. This authority is in addition to the C&LD Committee's authority under the 2001 Plan and the 2009 Plan to suspend or terminate any outstanding stock options if the C&LD Committee determines that the participant violated certain plan provisions. Moreover, the 2009 Plan has a clawback provision that allows the Company to recover certain proceeds from option exercises or delivery of shares if the participant violates certain plan provisions.

#### **Balanced Weighting of Performance Metrics in Compensation Programs**

The STAR program and PSP use balanced weighting of multiple performance metrics to determine the payout. This discourages excessive risk-taking by removing any incentive to focus on one goal to the detriment of others. STAR and PSP are described on pages 29 to 33 and pages 34 to 35 of this proxy statement, respectively.

#### **Prohibition of Use of Company Stock in Derivative Transactions**

The Company's Insider Trading Policy prohibits NEOs from involving Company stock in pledging, collars, short sales, hedging investments and other derivative transactions. Purchases and sales of Company stock by NEOs can only be made during the one-month period following public earnings announcements or, if outside these window periods, with express permission from the Company's Legal Division or in accordance with a previously established trading plan that meets SEC requirements.

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### **Additional Information**

#### **Deferred Compensation Plan**

The Procter & Gamble Company Executive Deferred Compensation Plan ( EDCP ) allows executives to defer receipt of up to 100% of their STAR award and/or up to 50% of their annual salary. Executives may also elect to convert a portion of their PST Restoration RSUs into notional cash contributions to the EDCP with investment choices that mirror those available to all U.S. employees who participate in the Company's 401(k) plan. No above-market or preferential interest is credited on deferred compensation, as those terms are defined by the SEC.

#### **Tax Treatment of Certain Compensation**

Section 162(m) of the Internal Revenue Code limits the Company deductibility of executive compensation paid to certain NEOs to \$1,000,000 per year, but contains an exception for certain performance-based compensation.

For FY 2010-11, awards granted under STAR, the Key Manager Stock Grant and PSP programs satisfied the performance-based requirements for deductible compensation. The Committee approved award pools for STAR and PSP, based on net earnings with a maximum portion of each pool set for each of the NEOs subject to Section 162(m). The Committee then used its discretion to determine STAR awards based on Company and business results. Each of the amounts approved for NEOs subject to Section 162(m) were below the maximums established, and are therefore deductible by the Company. PSP award payments do not vest until the end of FY 2012-13 at which time the C&LD Committee will determine the PSP payments based on Company and business results for the three-year performance period.

Company deductibility of compensation was taken into account by the C&LD Committee when setting compensation levels for current NEOs. While the C&LD Committee's general policy is to preserve the deductibility of compensation paid to the NEOs, the C&LD Committee nevertheless authorizes payments that might not be deductible if it believes they are in the best interests of the Company and its shareholders. The C&LD Committee determined that it was appropriate to pay Mr. McDonald a competitive salary of \$1,600,000, although \$600,000 was not deductible by the Company. In addition, in certain years individuals may receive non-deductible payments resulting from awards made prior to becoming a NEO.

#### **2011-12 Executive Compensation Changes**

The C&LD Committee reviewed the competitiveness of total annual cash compensation for the NEOs at its June 7, 2011, meeting. As a result, the C&LD Committee increased Mr. McDonald's STAR Target from 175% to 190%. This increase positions Mr. McDonald's total annual cash compensation opportunity at the size adjusted median for chief executive officers in the Peer Group, while increasing the percentage of his total annual cash compensation allocated to the performance-based STAR program.

Additionally, the C&LD Committee increased the salary of Mr. Panayotopoulos from \$985,000 to \$1,085,000, Mr. Geissler from \$945,000 to \$1,045,000 and Mr. Moeller from \$750,000 to \$825,000. Messrs. Panayotopoulos and Geissler were given salary increases in recognition of their extensive experience, leadership and expanded responsibilities with the forthcoming retirement of Messrs. Steele and Shirley. Mr. Moeller's salary increase more closely aligns his total annual cash compensation opportunity with other chief financial officers in the Peer Group.

**Table of Contents****Executive Compensation**

The following tables, footnotes and narratives found on pages 43 to 59 of this proxy statement provide information regarding the compensation, benefits and equity holdings in the Company for the NEOs.

**Summary Compensation**

The following table and footnotes provide information regarding the compensation of the NEOs for the fiscal years shown.

**Summary Compensation Table**

Name and Principal Position	Year	Salary	Bonus <sup>1</sup>	Stock Awards <sup>2</sup>	Option Awards <sup>3</sup>	Non- Equity Incentive	Change in Pension Value and Nonqualified Deferred	All Other	Total
						Plan Com- pensation <sup>4</sup>	Com- pensation Earnings <sup>5</sup>	Com- pensation <sup>6</sup>	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Robert A. McDonald</b>	2010-11	1,600,000	2,632,000	5,599,736	6,171,877	0	0	184,424	16,188,037
	2009-10	1,400,000	2,670,000	2,956,724	5,616,469	175,000	0	297,035	13,115,228
Chairman of the Board, President and Chief Executive Officer	2008-09	1,000,000	1,125,000	3,020,056	3,822,401	62,500	0	160,986	9,190,943
<b>Jon R. Moeller</b>	2010-11	750,000	781,121	2,118,128	1,251,451	0	0	61,759	4,962,459
	2009-10	675,000	807,975	516,146	1,161,306	37,500	0	59,634	3,257,561
Chief Financial Officer	2008-09	550,000	388,800	943,153	1,122,840	37,500	0	53,379	3,095,672
<b>Werner Geissler</b>	2010-11	945,000	1,137,284	2,907,394	1,112,405	0	132,000	70,859	6,304,942
	2009-10	907,500	1,071,630	141,311	2,654,409	54,375	772,000	78,083	5,679,308
Vice Chairman Global Operations	2008-09	870,000	632,664	2,830,119	1,194,511	54,375	81,000	2,084,678	7,747,347
<b>E. Dimitri Panayotopoulos</b>	2010-11	985,000	886,490	1,733,915	2,595,600	0	0	75,238	6,276,243
	2009-10	947,500	1,396,238	150,140	3,096,801	56,875	601,000	94,923	6,343,477
Vice Chairman Global Household Care	2008-09	910,000	792,792	1,531,376	2,866,803	56,875	0	655,446	6,813,292
<b>Edward D. Shirley</b>	2010-11	945,000	840,601	2,141,684	1,251,451	0	405,000	63,700	5,647,436
	2009-10	907,500	893,025	603,792	1,327,204	46,250	1,168,000	65,683	5,011,454
Vice Chairman Global Beauty & Grooming									
<b>Robert A. Steele</b>	2010-11	945,000	969,164	2,710,346	927,010	0	0	71,021	5,622,541
	2009-10	907,500	992,250	845,577	1,824,901	54,375			
Vice Chairman Health Care Strategy									