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August 17, 2009

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549-1090

SUBJECT: Proposed Rule Regarding Shareholder Director Nominations, File No. S7-10-09

Dear Ms. Murphy:

On behalf of The Procter & Gamble Company ("P&G" or "Company"), we are writing to comment on the proposal by the Securities and Exchange Commission ("SEC") to change the federal proxy rules to require that companies include shareholder nominees to the board in their proxy materials. P&G is a U.S. based, multinational consumer products company with approximately $80 billion in annual revenue, over 135,000 employees globally and well over two million shareholders.

For the reasons set forth below in more detail, P&G:

1. Urges the SEC to defer adoption of Rule 14a-11 or, at a minimum, make material changes to the proposed rule in order to balance its costs and benefits more appropriately; and

2. Supports the proposed changes to Rule 14a-8(i)(8) as workable, with certain key amendments.

The Proposed "One Size Fits All" Rule is Not Necessary to Hold Boards Accountable

The SEC's proposed rule seems to assume that *all* boards of directors are not as accountable to shareholders as they should be -- thus, the need for a rule for shareholder nomination of directors that is universal. In our experience, this assumption is wrong.

At P&G, our Board is very accountable to the Company's shareholders. For example, when it appeared that a majority of our shareholders supported the annual election of the Company's directors, our Board proposed this change to the Company's shareholders. Similarly, when it appeared that a majority of our shareholders supported majority voting for directors, our Board proposed that change as well. We have a Presiding Director who is independent from the Company. And, our Board has only two insiders, the Company's current and former Chief Executive Officers, thus assuring a supermajority of independent directors. This helps to ensure that the P&G Board is an independent body that is in a position to act in the best interests of, and be accountable to, the Company's shareholders as a whole.

With the passage of the Sarbanes-Oxley Act and the subsequent corporate governance reforms that have been adopted by many U.S. corporations, we believe that directors of other public companies have heightened accountability to their shareholders as well. While we can't certify to the level of accountability at all companies, we believe that the SEC is doing a disservice to responsible companies to base its rulemaking on the assumption that all boards are not as accountable as they should be. In our view, situations where a specific board should have been more accountable to its shareholders would be better addressed on a case-by-case basis by adding triggering events to the rule's application. For example, if a company's board failed to act on a shareholder proposal that received a majority vote or refused to accept the resignation of a director who received less than a majority of the votes cast, then shareholder nomination of directors could apply. We do not, however, believe there is a need for an across-the-board rule that requires all public companies to include shareholder nominees to the board in their proxy materials in order to ensure that boards of directors are accountable to their shareholders.

Proposed Rule 14a-11 Does Not Fully Take into Account the Difficult and Elaborate Process of Nominating Directors

At P&G, we've had the opportunity to watch our Board of Directors carefully select nominees to stand for election by the Company's shareholders. A couple of observations are worth noting.

1. Our Board believes that nomination of directors is one of its most important duties. The process of nominating potential board members is an important, time-consuming and thoughtful process that requires our Board to engage in a significant amount of due diligence. At P&G, our Governance & Public Responsibility Committee, composed entirely of independent directors, manages this process. In many cases, it takes one to two years for the Committee to identify, recruit and, eventually, nominate a new director for shareholder vote. During this time, the Committee has to evaluate a host of important objective and subjective factors, including eligibility, qualifications, expertise, independence, diversity, time commitments and competitive conflicts.

2. Even if the objective criteria are met, the Committee may decide not to recommend appointment of an individual to the P&G Board. This may be because that individual does not meet the specific, subjective needs that our Board has for that position at that time, whether those needs be expertise in a special subject matter, expertise in certain geographic area, the ability to bring diversity to the P&G Board room, or some other unique skill set.

This thorough review is designed to answer two basic questions:

1. Will this individual represent the best interests of the Company's shareholders as a whole?

2. Will this individual add significant value in the boardroom?

Only after careful evaluation and when the answer to both questions is an unequivocal "Yes" does the Governance & Public Responsibility Committee recommend that individual for nomination and appointment to the P&G Board.

As a general matter, shareholders are not in a position to engage in the same kind of assessment of board needs or to effectively identify board candidates to meet such needs. Further, given the relatively low minimum ownership threshold proposed by Rule 14a-11 and the fact that shareholders can aggregate their ownership to qualify for the rule, it is doubtful that they will exercise the same level of diligence that our Board exercises in selecting candidates to nominate for election to the P&G Board.

Based on the proposed rule, we believe the SEC's understanding of this process is too narrow. The SEC's version of shareholder nomination of directors contained in proposed Rule 14a-11 does not fully contemplate the work that should be expected in building a sustainable nomination process. With its short time period between nomination and the annual vote of shareholders (only 120 days before mailing of the company's proxy materials), it will be far more difficult for boards to determine if a shareholder nominee would add significant value in the board room – particularly if there are multiple director nominees. In addition, with its relatively low ownership threshold (1% ownership for large, accelerated filers like P&G), shareholder nominees for director are more likely to represent narrow, parochial interests rather than the interests of shareholders as a whole. Finally, the proposed rule does not require that shareholder-nominated directors meet a nominating committee's or board's criteria for director nominees or the standards for independence that companies like P&G adopt to supplement the standards imposed by the NYSE or other exchanges. Subjecting shareholder-nominated directors and board-nominated directors to different standards could create dual-classes of citizens in the board room, potentially hampering board effectiveness.

In sum, proposed Rule 14a-11 could result in directors being elected who do not meet the board's overall needs, who could represent minority, parochial interests, rather than shareholders as a whole, and who fail to meet the qualification criteria met by every

other director. This would create an unhealthy dynamic in the board room, potentially harming shareholders, not helping them.

If Adopted, Proposed Rule 14a-11 Needs Material Changes to Balance its Costs and Benefits More Appropriately

If, despite sound arguments and rationales against proposed Rule 14a-11, the SEC still wishes to adopt a rule allowing shareholders to include their board nominees in company proxy materials, such a rule needs to be revised significantly from the current proposal in three key areas.

First, the rule needs to be subject to conflicting state law and the governance documents of individual companies. If, as the SEC states in its proposed rule, shareholders have a "fundamental right to [directly] nominate and elect members to company boards of directors," then shareholders also have a fundamental right to determine the rules and processes for such nominations. Proposed Rule 14a-11, which, according to the SEC, would pre-empt any contrary state law or corporate governance document that sets forth different rules and thresholds, is a universal approach that strips shareholders of the right to determine how shareholder nomination of directors should be facilitated at particular companies. It's like saying that Americans have a fundamental right to eat ice cream . . . but only if it's vanilla. It's an unworkable approach, as evidenced by the 400+ questions that the SEC asks in its proposed rule -- questions reflecting the complexity engendered by trying to force-fit one solution on companies with thousands of differing circumstances.

To address this issue, Rule 14a-11 should include a provision exempting companies and shareholders from its provisions if the rule conflicts with applicable provisions of a company's governing documents or state law. A company and its shareholders are best situated to determine the shareholder nomination process that works for that company. By mandating a rule and applying it to every publicly traded company regardless of size, structure, industry, state of incorporation, shareholder base, etc., the SEC is dictating from the top-down, not building from the ground up. Shareholder nomination of directors is an area where each state and/or each company's shareholders should be able to determine what process works best for them. Over time, best practices will emerge, just as it has in other areas of corporate governance such as annual election of directors, majority voting and the role of lead independent directors. The SEC should be looking to support states and companies in developing better processes for shareholder nomination of directors, not imposing its own view of what that process should be. It should require disclosure and spotlight best practices, not dictate a "one-size-fits all" model.

Second, to best ensure that the interests of a shareholder nominee for director are aligned with the long-term interests of all of the company's shareholders, the proposed ownership thresholds and holding requirements need to be revised significantly. For a large, accelerated filer like P&G, the ownership threshold for including shareholder nominated directors in a company's proxy statement should be at least 5% for an individual shareholder and at least 10% for shareholders who aggregate their ownership interests. Further, the holding requirement should be at least two years and the

shareholder must have held the securities in a long position for that entire time (i.e., no hedging of any kind). And, the percentage of directors that a shareholder can nominate and require a company to include in its proxy materials should be identical to that shareholder's ownership interests -- not higher than that shareholder's ownership interests -- up to the proposed rule's 25% threshold. It makes no sense for a 1% shareholder to be able to nominate 25% of a company's directors.

Finally, as noted above, any directors nominated by shareholders should be subject to the same eligibility requirements, qualifications and independence requirements as directors nominated by a company's board of directors. In today's environment, the job of a public company director is more important than ever, and the qualifications of directors are more important than ever. A company simply cannot have two classes of citizens in the board room, with one having more stringent qualification criteria than the other.

For these reasons, P&G urges the SEC to defer adoption of Rule 14a-11 or, at a minimum, make these material changes to the proposed rule in order to balance its costs and benefits more appropriately.

Proposed Rule 14a-8(i)(8) is a Workable Concept, With Certain Key Amendments

While not ideal, the SEC's proposed amendments to Rule 14a-8(i)(8) to allow shareholders to submit proposals in a company's proxy statement that would amend, or request amendment to, a company's governing documents regarding nomination procedures for directors is a more workable concept than proposed Rule 14a-11. This proposal would allow a company and its shareholders to tailor the nomination process to best fit that company's needs. If such a proposal were to be implemented, however, two key items would need to be addressed.

First, the threshold to submit such a proposal needs to be significantly higher than the current threshold for shareholder proposals of $2,000 or 1% of a company's securities. Given that such a proposal could result in a fundamental change to a company's governance, only serious shareholders with a significant stake in the company should be permitted to make such a proposal to their fellow shareholders. This is not an area where corporate gadflies who have little real interest in a company's long-term success or failure should be playing. Accordingly, we believe that the minimum threshold should be 3% ownership of the company's securities (or higher), especially if ownership interest can be aggregated.

Second, the proposal must be subject to state law. If a company's state law establishes a process for shareholder nomination of directors, then any proposal that conflicts with that state law can and must be excluded from that company's proxy statement. This is consistent with SEC's current Rule 14a-8(i)(1), which allows a company to exclude any proposal that is "improper under state law."

Finally, if the SEC adopts a version of Rule 14a-11 that creates a universal shareholder right, then an otherwise valid shareholder proposal submitted under Rule 14a-

8(i)(8) must be allowed, even if it conflicts with Rule 14a-11. As noted above, a company's shareholders should have the right to choose what kind of shareholder nomination process will work for their company.

For these reasons, P&G supports the proposed changes to Rule 14a-8 as workable, with these key amendments.

Sincerely,

Steven W. Jemison
Chief Legal Officer and Secretary
The Procter & Gamble Company

E.J. Wunsch
Assistant Secretary & Associate General Counsel
The Procter & Gamble Company

cc: Hon. Mary L. Schapiro, Chairman, U.S. Securities and Exchange Commission
Hon. Luis A. Aguilar, Commissioner, U.S. Securities and Exchange Commission
Hon. Kathleen L. Casey, Commissioner, U.S. Securities and Exchange Commission
Hon. Troy A. Paredes, Commissioner, U.S. Securities and Exchange Commission
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