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Report on the Proxy Statement (Schedule 14A) of

The Clorox Company

(NYSE: CLX)

Proxy Statement dated:	September 28, 2012
For the annual meeting on:	November 14, 2012

Summary

Voting Items (Board recommendation)	proxypower recommendation
1. Election of Directors	
1a. Daniel Boggan, Jr. (For)	Against
1b. Richard H. Carmona (For)	Against
1c. Tully M. Freidman (For)	Against
1d. George J. Harad (For)	Against
1e. Donald R. Knauss (For)	For
1f. Robert W. Matschullat (For)	Against
1g. Edward A. Meuller (For)	For
1h. Pamela Thomas-Graham (For)	For
1i. Carolyn M. Ticknor (For)	Against
2. Advisory Vote on Executive Compensation (For)	Against
3. Ratification of Independent Registered Public Accounting Firm (For)	For
4. To Approve the Amended and Restated 2005 Stock Incentive Plan (For)	Against

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Objective Criteria.

Overview

The Clorox Company ("Clorox") is a major consumer products company, makers of Clorox bleach, Pine-Sol cleaners, Glad bags, Kingsford charcoal and other household name products.[1] It is a component of the S&P 500 Index.

The 2012 annual meeting should have less drama than last year's. In 2011, entities controlled by Carl Icahn owned 12,500,000 shares, amounting to 9.51% of the voting power, [2] and Mr. Icahn nominated his own slate of directors for the purpose of auctioning off Clorox to the highest bidder.[3]

Since you are reading this report, you can deduce that Mr. Icahn's bid failed and Clorox remains independent. The current proxy materials disclose that the Icahn-related entities own no more than 1% of the voting shares, if any.[4]

[1] Clorox 2012 10-K, p. 4.
[2] 2011 Proxy Statement, p. 19.
[3] Ichan Partners L.P. et al. Schedule 14A, Aug. 30, 2011.
[4] p. 19, Clorox Sept. 28, 2012 Proxy Statement.

Overview (continued)

The Clorox Company (NYSE: CLX)	2012	2011
Revenue[5]	$5,468	$5,231
Earnings	541	557
Diluted EPS	4.09	4.02
Cash from Continuing Operations	620	690
CCO per share	4.69	4.98
Share count (diluted)	132,310	138,101
Share price[6]	72.71	71.59
Employees	8,400	8,100

[5] All figures are in millions except per share and employee data. Data is reported in and/or derived from the respective 10-K, except for share price.
[6] As of July 31, 2012 and July 29, 2011, respectively, the "as of" dates used by Clorox in its proxy materials.

1. Election of Directors

1a. Daniel Boggan, Jr.

proxypower recommendation: Against

As of July 31, 2012, Mr. Boggan owned 5,741 shares of Clorox stock.[7] At a 7/31 closing price of $72.71, that works out to a holding worth $417,428.11. Not chump change, but below our threshold of $590,000 (criterion 2B). Therefore, we recommend voting Against.

Mr. Boggan is neither Chairman nor CEO and is evaluated according to criterion 2B. He is not a member of the compensation committee, [8] so even though we recommend a vote against the "say on pay" plan (see Item #2 below), this does not affect our consideration of Mr. Boggan's candidacy. His election is uncontested.

Mr. Boggan owns less Clorox stock than most of the Board.[9] He is also its longest-serving member, having served since 1990.[10] The 2011 proxy materials disclosed that he owned 7,241 shares,[11] so he was a net seller over the last year. After 22 years on the Board, he should own more.

Mr. Boggan is on the Executive Committee, the Finance Committee, and is chair of the Nominating and Governance Committee. He is also on the boards of directors of Collective Brands, Inc. and Viad Corp.,[12] both public companies.

[7] Page 19 (all further references are to the Sept. 28, 2012 Proxy Statement unless otherwise noted).
[8] See p. 13 (listing compensation committee members).
[9] p. 19.
[10] p. 7.
[11] 2011 Proxy Statement, p. 19.
[12] p. 7.

1. Election of Directors (continued)

1b. Richard H. Carmona

proxypower recommendation: Against

If you are entitled to vote a Clorox proxy, you have more at stake in the company than Dr. Carmona, who owns zero Clorox shares.[13] This alone is sufficient for our "Against" recommendation (criterion 2B). Added to that is his membership on the compensation committee. [14] This also gets him an "Against" recommendation because we recommend against the say on pay proposal (criterion 2B).

Dr. Carmona is neither Chairman nor CEO and is evaluated according to criterion 2B. His election is uncontested.

Dr. Carmona was Surgeon General of the United States from 2002 to 2006, [15] thus making him "prime beef" in director recruitment circles. He joined the Clorox board in 2007. [16] Shareholders' financial health may suffer if Dr. Carmona doesn't do a good job as director, but Dr. Carmona will feel fine regardless what happens at Clorox, since he owns no shares.

In addition to the compensation committee, Dr. Carmona is also on the Nominating and Governance Committee.[17] He is also on the board of directors of Taser International, Inc.,[18] a public company.

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[13] p. 19.
[14] p. 13.
[15] p. 8.
[16] p. 8.
[17] p. 13. The compensation committee is formally known as the Management Development and Compensation Committee.
[18] p. 8.

1. Election of Directors (continued)

1c. Tully M. Friedman

proxypower recommendation: Against

Mr. Friedman is a member of the compensation committee,[19] and because we recommend "Against" the "say on pay" proposal, we recommend an "Against" vote for Mr. Friedman (criterion 2B).

Mr. Friedman is neither Chairman nor CEO and is evaluated according to criterion 2B. His election is uncontested.

As of July 31, Mr. Friedman owned 34,305 Clorox shares,[20] worth almost $2.5 million, so he easily satisfies our $600,000 requirement. It is solely because of his membership on the Compensation Committee that we recommend "Against."

In addition to the Compensation Committee, Mr. Friedman chairs the Finance Committee and is on the Executive Committee.[21] He joined the board in 1997. He is not listed as currently on the boards of any other public companies, although he was recently on the boards of Mattel, Inc., Capital Source and Tempur-Pedic International Inc.[22]

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[19] p. 13.
[20] p. 19.
[21] p. 13.
[22] p. 8.

1. Election of Directors (continued)

1d. George J. Harad

proxypower recommendation: Against

Mr. Harad is chair of the compensation committee,[23] and because we recommend "Against" the "say on pay" proposal, we recommend an "Against" vote for Mr. Harad (criterion 2B).

Mr. Harad is neither Chairman nor CEO and is evaluated according to criterion 2B. His election is uncontested.

As former CEO of Boise Cascade/Office Max,[24] Mr. Harad would otherwise receive a favorable recommendation. And he owned 9,000 shares of Clorox on July 31, worth $654,390. Not a fortune, but above our $600,000 threshold (criterion 2B). Like Mr. Friedman, it is solely because of his membership on the compensation committee (in Mr. Harad's case, chair) that we recommend "Against."

In addition chairing the Compensation Committee, Mr. Harad serves on the Executive and Audit Committees. He is not listed as serving on any other public company boards. He has been a Clorox director since 2006.

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[23] p. 13.
[24] p. 9.

1. Election of Directors (continued)

1e. Donald R. Knauss

proxypower recommendation: For

Mr. Knauss has been Chairman of the Board of Directors and CEO since October 2006,[25] so we use criterion 2A.

Clorox's payout ratio is about 58% ($315 million paid in dividends[26] out of $541 net income), well above the 19% threshold.

Because Mr. Knauss became CEO in October 2006, in examining Clorox's financial performance since then, we exclude the fiscal years ending July 2007, 2008 and 2009 (criterion 2A). For the fiscal years ending June 30 2010 and 2012, the prior year's (2009 and 2011, respectively) stockholder equity was negative (i.e., a deficit), and net income was positive, making return on equity infinite. For 2011, Clorox earned $557 million on FY2010 equity of $83 million, or a return on equity of about 670 %.[27]

We calculate cost of capital as the risk-free interest rate + (beta x equity risk premium). For the last three years of Mr. Knauss's tenure, those calculations are as follows:

2012:	2.78 + (0.39 x 4.1) = 4.38
2011:	3.22 + (0.39 x 4.31) = 4.9
2010:	3.26 + (0.39 x 4.29) = 4.93

Clorox's infinite return on equity in 2012 and 2010, and its 670 % ROE in 2011, crushes Clorox's cost of capital of 4-5 %. Therefore, Mr. Knauss well deserves a "For" vote (criterion 2A).

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[25] p. 9.
[26] Clorox 2012 10-K, ex. 99-1, p. 31.
[27] Clorox 2012 10-K, ex. 99-1, p. 30.

1. Election of Directors (continued)

1f. Robert W. Matschullat

proxypower recommendation: Against

As of July 31, 2012, Mr. Matschullat owned 7,324 shares of Clorox stock,[28] worth $532,528.04 on that date. Close to but still below our threshold of $590,000 (criterion 2B). In addition, Matschullat is on the Compensation Committee[29] responsible for the "say on pay" proposal we recommend voting Against. For those two reasons, we recommend voting Against.

Mr. Matschullat is neither Chairman nor CEO and is evaluated according to criterion 2B. His election is uncontested. He was interim CEO and Chairman of Clorox from March to October 2006.[30]

In addition to the Compensation Committee, Mr. Matschullat serves on the Finance Committee.[31] He is also on the boards of The Walt Disney Company, Inc. and Visa, Inc.[32] He has been a Clorox director since 1999.

Like Mr. Boggan, Mr. Matschullat was a net seller of Clorox in the last year, having disclosed ownership of 9,324 shares in 2011.[33] Like Mr. Boggan, he is a long-time board member and should own more.

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28 p. 19.
29 p. 13.
30 p. 10.
31 p. 13.
32 p. 10.
33 2011 Proxy Statement, p. 19.

1. Election of Directors (continued)

1g. Edward A. Meuller

proxypower recommendation: For

Mr. Meuller is the former CEO of Qwest Communications International Inc., Williams-Sonoma, Inc., Ameritech Corporation, Southwestern Bell Telephone Company and Pacific Bell. [34] Whew!

Mr. Meuller is neither Chairman nor CEO and is evaluated according to criterion 2B. His election is uncontested.

Although Mr. Meuller owns zero Clorox shares, [35] this otherwise disqualifying factor is trumped by the fact that he is a former CEO of a public company (criterion 2B). Therefore, he gets a “For” recommendation.

Mr. Meuller chairs the Audit Committee and serves on the Executive and Finance Committees.[36] He is also on the board of McKesson Corporation.[37]

[34] p. 11.
[35] p. 19.
[36] p. 13.
[37] p. 11.

1. Election of Directors (continued)

1h. Pamela Thomas-Graham

proxypower recommendation: For

As of July 31, 2012, Ms. Thomas-Graham owned 9,778 shares of Clorox stock,[38] worth about $711,000. She has more "skin in the game" than many of her peers, and that amount is above our threshold of $590,000 (criterion 2B). We recommend voting For.

Ms. Thomas-Graham is neither Chairman nor CEO and is evaluated according to criterion 2B. Her election is uncontested.

Ms. Thomas-Graham serves on the Finance and Audit Committees.[39] She is not listed as currently serving on any other public company boards.[40]

[38] p. 19.
[39] p. 13.
[40] p. 12.

1. Election of Directors (continued)

1i. Carolyn M. Ticknor

proxypower recommendation: Against

As of July 31, 2012, Ms. Ticknor owned 8,000 shares of Clorox stock,[41] worth $581,680 on that date. Just barely below our threshold of $590,000 (criterion 2B). But objective is objective. We recommend voting Against.

Ms. Ticknor is neither Chairman nor CEO and is evaluated according to criterion 2B. Her election is uncontested.

Ms. Ticknor serves on the Audit Nominating & Governanc
e Committees.[42] She is not listed as currently serving on any other public company boards.[43]

[41] p. 19.
[42] p. 13.
[43] p. 12.

2. Advisory Vote on Executive Compensation

proxypower recommendation: Against

The Clorox compensation plan makes the classic mistake of tying compensation to a peer group, which divorces pay from performance (criterion 1A).

The compensation plan starts with a good concept, i.e., having a relatively low base salary with the remainder of compensation (bonus) being performance-based.[44] A portion of the bonus is objective: a combination of sales and profit.[45] But instead of having the bonuses tied directly to sales and/or profits, the executive who meets a sales/profit benchmark gets an award of a pre-determined percentage of base salary.[46] And both base salary[47] and the bonus percentages[48] are targeted to peer groups' compensation.

The compensation committee's heavy reliance on peer group pay numbers and methods undermines its desire to link pay with performance. For example, the CEO, Donald Knauss, increased total compensation almost exactly 25% from fiscal 2011-2012 ($9,176,778 to $11,458,389), even though earnings fell about 3%. Diluted EPS rose about 2% due to lower share count.

On the plus side: executive compensation is tied to the median of the peer groups,[49] not above the median, and a tax gross-up for the CEO's tax liabilities in the event of a change in control was eliminated.[50]

[44] p. 21.
[45] p. 28.
[46] p. 28.
[47] p. 27.
[48] p. 27.
[49] p. 25.
[50] p. 24.

3. Ratification of Independent Registered Public Accounting Firm

proxypower recommendation: For

Management recommends that shareholders ratify its choice of Ernst & Young LLP as Clorox's CPAs.[51] There have been no restatements over the last three years, so we recommend a "For" vote (criterion 3A).

[51] p. 57.

4. To Approve the Amended and Restated 2005 Stock Incentive Plan

proxypower recommendation: Against

The primary reason this is up for a vote is to make an additional 2.9 million shares available under the 2005 Plan for executive compensation.[52] We recommend a vote against the "Say on Pay" proposal (Item # 2), so we also recommend a vote against this item (criterion 3B(3)).

The Plan isn't all bad. Among other things, it forbids granting options the striking price for which is below the price of the stock on the date of grant, and also forbids repricing options without shareholder approval. These are positive.

But the Plan allows the compensation committee way too much latitude in awarding performance-based compensation, because the list of factors the committee may consider is much too long:

> The performance objectives to be used will be selected from the following list of measures (collectively, the "Performance Measures"): total shareholder return, stock price, net customer sales, volume, gross profit, gross margin, operating profit, operating margin, management profit, earnings from continuing operations before income taxes, earnings from continuing operations, earnings per share from continuing operations, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, net operating profit after tax, net earnings, net earnings per share, return on assets, return on investment, return on equity, return on invested capital, cost of capital, average capital employed, cash value added, economic value added, economic profit, cash flow, cash flow from operations, working capital, working capital as a percentage of net customer sales, asset growth, asset turnover, market share, customer satisfaction, and employee satisfaction. Performance goals that are

[52] p. 59.

financial metrics may be calculated on either a GAAP or non-GAAP basis.[53]

With this many factors, the compensation committee can justify any pay package it wants by cherry-picking the factors that look best in any given year. Note that the measures can be GAAP or non-GAAP, making cherry-picking even easier.

[53] p. 62.