

CLOROX CO /DE/

Form 11-K

June 29, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

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## **FORM 11-K**

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK  
PURCHASE, SAVINGS AND SIMILAR PLANS  
PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-07151

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**The Clorox Company  
Employee Retirement Investment Plan for Puerto Rico**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**The Clorox Company  
1221 Broadway  
Oakland, CA 94612-1888**

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Financial Statements And  
Supplemental Information

The Clorox Company Employee Retirement Investment  
Plan for Puerto Rico  
As of December 31, 2017 and 2016  
and the Plan Year ended December 31, 2017  
with Report of Independent Registered Public Accounting Firm

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The Clorox Company  
Employee Retirement Investment Plan for Puerto Rico

Financial Statements and Supplemental Information

As of December 31, 2017 and 2016  
and for the Plan Year ended December 31, 2017

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**Report of Independent Registered Public Accounting Firm**

To the Plan Administrator and Participants of  
The Clorox Company Employee  
Retirement Investment Plan for Puerto Rico

*Opinion on the Financial Statements*

We have audited the accompanying statements of net assets available for benefits of The Clorox Company Employee Retirement Investment Plan for Puerto Rico (the “Plan”) as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on the Plan’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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*Opinion on the Supplemental Information*

The supplemental information included in Schedule H, line 4(i) – Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental information is the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedules, we evaluated whether the supplemental information, including its form and content, is presented in conformity with DOL’s Rules and Regulations for Reporting and Disclosure under ERISA. In our opinion, the supplemental information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Moss Adams LLP  
San Francisco, California  
June 28, 2018

We have served as the Plan’s auditor since 2013.

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The Clorox Company  
 Employee Retirement Investment Plan for Puerto Rico  
 Statements of Net Assets Available for Benefits  
 As of December 31, 2017 and 2016

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Investments, at fair value	\$ 15,492,150	\$ 12,406,823
Receivables:		
Notes receivable from participants	553,077	685,295
Employers' contributions	337,659	414,929
Total receivables	890,736	1,100,224
<b>Net assets available for benefits</b>	<b>\$ 16,382,886</b>	<b>\$ 13,507,047</b>
<i>See accompanying notes to the financial statements</i>		

The Clorox Company  
 Employee Retirement Investment Plan for Puerto Rico  
 Statement of Changes in Net Assets Available for Benefits  
 For the Plan Year ended December 31, 2017

**Additions to (deductions from) net assets attributed to:**

Investment and other income:		
Interest income and dividends	\$	246,120
Net appreciation in fair value of investments		2,236,737
Total investment and other income		2,482,857
Contributions:		
Participants		475,454
Employers		549,823
Rollovers		96,754
Total contributions		1,122,031
Benefit payments to participants		(714,537)
Plan expenses		(14,512)
<b>Net increase</b>		<b>2,875,839</b>
<b>Net assets available for benefits:</b>		
Beginning of year		13,507,047
End of year	\$	16,382,886

*See accompanying notes to the financial statements*

The Clorox Company  
Employee Retirement Investment Plan for Puerto Rico

Notes to Financial Statements

December 31, 2017

**1. Description of the Plan**

The following description of The Clorox Company Employee Retirement Investment Plan for Puerto Rico (“the Plan”) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

**General**

The Plan is a defined contribution plan covering most salaried and hourly production employees of Clorox Manufacturing Company of Puerto Rico, Inc. (the “Company”) (previously, The Clorox Company of Puerto Rico) and those affiliates of the Company that adopt the Plan for the benefit of their Puerto Rico resident employees (the “Companies”), except for (i) leased employees and (ii) non-resident aliens with no Puerto Rico source of income, unless such coverage is specified in the written agreement. Participants are eligible to participate on the first day of employment following completion of one hour of service with the Companies. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The Employee Benefits Committee (the “Committee”) administers the Plan. Banco Popular de Puerto Rico serves as the Plan’s trustee. Vanguard Group, Inc. (“Vanguard”) serves as the Plan’s record-keeper and custodian.

The Companies maintain a non-leveraged employee stock ownership plan (the “ESOP”). The ESOP is maintained as part of the Plan and is designed to invest primarily in the Company’s common stock. If elected, the participants can choose to (i) reinvest the dividends or (ii) receive the dividends in cash. No participant shall be permitted to direct more than 5% of the contributions to be made to the Plan on his or her behalf in the ESOP fund; and no participant shall be permitted to effect a transfer or exchange from another investment fund into the ESOP fund if the portion of the participant’s account invested in the ESOP fund would exceed 5% of his or her account balance immediately after such transfer or exchange. From January 1, 2007 up to December 31, 2012 the limit was 10%. Prior to January 1, 2007 no limit was implemented; as such, there are certain participants whose investment in the ESOP fund exceeds 10% of their total account balance.

**Contributions**

Participants may contribute up to 20% of their covered compensation, up to 10% on a pre-tax and after-tax basis, respectively, as defined in the Plan. Generally, covered/eligible compensation consists of regular pay plus most bonuses, overtime and vacation pay.



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Pre-tax contributions are subject to a \$15,000 limit specified under the Puerto Rico Internal Revenue Code of 2011, as amended, (the "Code").

Newly eligible participants who do not make a salary deferral contribution election, or fail to elect to decline a deferral contribution, are automatically enrolled in the Plan at a 6% contribution rate. All participants with a contribution rate of less than 10% have an automatic annual percentage increase of 2% until the contribution rate reaches 10% unless another annual percentage is elected or the automatic election is declined.

Employees receive a dollar for dollar employer matching contribution up to a maximum of 4% of eligible compensation. Participants need to have completed one year of service to receive the match. Matching contributions are funded each pay period.

Eligible participants also receive a non-elective employer contribution. Participants must have completed one year of service and be an active employee at the end of the Plan year to be able to receive the non-elective employer contribution. The non-elective employer contribution is equal to 6% of eligible compensation during the plan year. The non-elective employer contribution is funded during the quarter subsequent to the Plan year end. See "Vesting" section for more information.

Participants may also rollover amounts representing distributions from other qualified defined benefit or defined contribution plans.

### **Investment Options**

Participants direct investment of their contributions and the Companies' contributions into the various investment options offered by the Plan. The Plan offers investments in The Clorox Company's common stock, mutual funds, common collective trust funds and a money market fund.

### **Participant Accounts**

Each participant's account is credited with the participant's contribution and an allocation of: (a) Company contributions and (b) Plan earnings. Allocations are based on participant's eligible compensation for the employer match and employer non-elective contributions and investment balance for investment earnings. At the discretion of the Committee, forfeited balances of terminated participants' non-vested accounts may be used to pay Plan expenses, to reduce the Companies' contributions to the Plan, or to restore forfeited accounts of previously terminated participants who subsequently resumed employment with the Companies. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting**

Participants are always fully vested in their individual contributions, the Companies' matching contributions, and actual earnings thereon.

The non-elective employer contributions account will vest in accordance with the following schedule:

<b>Years of Service</b>	<b>Percentage</b>
1	0%
2	20%
3	40%
4	66%
5	100%

Participants become immediately vested in the non-elective employer contribution upon reaching age 60 while employed by the Companies, at death, or upon termination of employment due to permanent disability.

**Payment of Benefits**

The Plan provides for lump-sum distributions of the vested value of a participant's account upon death, permanent disability, or termination of employment. The Plan also provides for installment distributions in limited instances. Hardship withdrawals are permitted if certain criterion are met.

**Notes Receivable from Participants**

Participants may obtain up to two loans for a minimum of \$1,000 each and a maximum amount equal to the lesser of \$50,000 reduced by the highest outstanding loan balance in the previous 12 months, or 50% of the participant's vested account balance. Loan terms range from 1 to 5 years, or up to 15 years if the proceeds are used for the purchase of a primary residence. The loans are secured by the balance of the participant's account and bear interest at a fixed rate (prime plus 1%) determined at the time of the loan. Principal and accrued interest is repaid ratably through payroll deductions. Outstanding notes receivable at December 31, 2017 carry interest rates ranging from 4.25% to 5.25%.

**Plan Termination**

Although it has not expressed any intent to do so, the Companies have the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of a Plan termination, participants will become 100% vested in their accounts.

### **Administrative Expenses**

The Companies pay substantially all administrative expenses except for certain investment fees and loan fees, which are deducted from the affected participant's account. Quarterly recordkeeping fees are also deducted from participants' accounts.

### **Forfeitures**

Amounts forfeited for each Plan year are used to reduce the Companies' contributions. The unallocated forfeitures related to non-vested accounts at December 31, 2017 and 2016 are \$11,416 and \$8,082, respectively. The Companies used \$0 and \$7,000 of forfeitures to reduce the Companies' non-elective employer contributions for the Plan years ended December 31, 2017 and 2016, respectively. Non-elective employer contributions are made subsequent to the Plan year end.

## **2. Summary of Significant Accounting Policies**

### **Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP").

### **Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further discussion of fair value measurements.

Purchases and sales of securities are recognized on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net appreciation in fair value of investments consists of both the realized gains and losses and unrealized appreciation and depreciation of those investments.

### **Benefit Payments to Participants**

Benefit payments to participants are recorded upon distribution. As of December 31, 2017 and 2016, no significant amounts were due to participants who had requested distributions prior to the Plan's year ends.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires the Plan's management to make estimates that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

### **Notes Receivable from Participants**

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan Document.

### **Risk and Uncertainties**

The Plan provides for various investment options in common stock, mutual funds, common collective trust funds and a money market fund. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits, the statement of changes in net assets available for benefits and participant account balances.

### **Change of Custodian and Record Keeper**

Effective January 1, 2017, the trustees of the Plan approved the change of custodian to Vanguard Fiduciary Trust Company and the record keeper to The Vanguard Group, Inc. ("Vanguard"). The conversion from custodian and record keeper, Mercer, was completed in January 2017. Upon conversion, the participant investment account balances were transferred from Mercer to Vanguard and invested into fund options offered through Vanguard. No changes were made to the provisions of the Plan.

### **3. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value is determined based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. An asset or liability's classification is based on the lowest level of input that is significant to the fair value measurement.

Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs reflecting management's own assumptions

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

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*Mutual funds:* Valued at quoted market prices of shares held by the Plan at year-end.

*Company's common stock:* Valued at the last reported sales price on the last business day of the Plan year.

*Common collective trust funds:* Valued using the market approach at a net asset value per share ("NAV" as a practical expedient) determined by the portfolio's sponsor based on the fair value of underlying investments held by the fund on the last business day of the Plan year. These are not classified in the fair value hierarchy table. The fair values are included in the table to allow reconciliation of the fair value hierarchy to the fair value of investments per the statement of net assets available for benefits.

The stable value common collective trust fund measured at net asset value may impose, in its sole discretion, a prior notice period of up to 12 months for any plan initiated withdrawal of assets. They may also require that within 90 days from withdrawal from the fund, money from the fund cannot be invested directly into a competing fund, such as a money market fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2017 and 2016:

	Assets at Fair Value as of December 31, 2017		
	Level		
	Level I	II	Total
Mutual funds	\$ 6,388,130	\$ -	\$ 6,388,130
Company's common stock	1,111,663	-	1,111,663
Total assets in the fair value hierarchy	7,499,793	-	7,499,793
Common collective trust funds measured at NAV, practical expedient			7,992,358
Investments at fair value			\$ 15,492,151

	Assets at Fair Value as of December 31, 2016		
	Level		
	Level I	II	Total
Mutual funds	\$ 5,693,084	\$ -	\$ 5,693,084
Company's common stock	1,054,301	-	1,054,301
Total assets in the fair value hierarchy	6,747,385	-	6,747,385
Common collective trust funds measured at NAV, practical expedient			5,659,438
Investments at fair value			\$ 12,406,823

#### **4. Party-in-Interest Transactions**

Certain Plan assets are in investment funds managed by Vanguard, the custodian of the Plan assets; therefore, these transactions qualify as party-in-interest transactions as defined under ERISA guidelines. Any purchases and sales of these investments are open market transactions at fair market value. Consequently, such transactions are permitted under the provisions of the Plan and are exempt from the prohibition of party-in-interest transactions under ERISA. Fees paid by the Plan to the custodian for the investment management and recordkeeping services amounted to \$15,362 for the year ended December 31, 2017.

In addition, a portion of the Plan's assets are participant directed investments in The Clorox Company common stock. As the Companies are subsidiaries of The Clorox Company, the Plan transactions involving The Clorox Company common stock qualify as party-in-interest transactions. All of these party-in-interest transactions are exempt from the prohibited transaction rules of ERISA. During the Plan year ended December 31, 2017, the Plan purchased or received approximately \$12,941 and sold or distributed approximately \$217,063 of the Company's common stock.

#### **5. Income Tax Status**

The Plan has received a determination letter from the Puerto Rico Treasury Department dated May 3, 2013, stating that the Plan meets the requirements of section 1081.01 (d) of the Code and that the trust established thereunder will be entitled to exemption from local income taxes. Subsequent to this determination by the Puerto Rico Treasury Department, the Plan was amended. The Plan administrator believes the Plan is being operated in compliance with applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax-exempt.

U.S. GAAP requires Plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position meets certain recognition thresholds or measurement standards defined by U.S. GAAP. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that, as of December 31, 2017, there are no uncertain positions taken or expected to be taken. The Plan recognized no interest or penalties related to uncertain tax positions. The Plan may be subjected to routine audits by the taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

Supplemental Information

The Clorox Company  
Employee Retirement Investment Plan for Puerto Rico

EIN: 31-0595760 – Plan Number: 007

Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year)

December 31, 2017

(b) Identity of issue,  (a) Borrower, Lessor, or Similar Party	(c) Description of Investment	(e) Current value
Mutual funds and money market fund:		
* Vanguard Institutional Index Fund	Mutual fund	1,657,225
* Vanguard Instl Total International Stock Index Fund	Mutual fund	1,078,418
Vanguard Mid-Cap Index Fund		
* Institutional	Mutual fund	973,042
* Vanguard Instl Plus TTL Bond Market Index Fund	Mutual fund	854,909
* Eaton Vance-Atlanta Capital SMID-Cap R6 Fund	Mutual fund	688,776
* T. Rowe Price-Growth Stock Fund	Mutual fund	640,071
MFS Institutional International Equity		
* Fund	Mutual fund	441,565
* Vanguard Small Cap Fund Institutional	Mutual fund	54,108
Metropolitan West Total Return Bond		
* Fund	Mutual fund	16
		6,388,130
* Vanguard Target Retirement 2015		
Trust II	Common collective trust fund	15,476
* Vanguard Target Retirement 2020		
Trust II	Common collective trust fund	102,505
* Vanguard Target Retirement 2025		
Trust II	Common collective trust fund	1,256,117
* Vanguard Target Retirement 2030		
Trust II	Common collective trust fund	358,858
* Vanguard Target Retirement 2035		
Trust II	Common collective trust fund	2,277,206
* Vanguard Target Retirement 2045		
Trust II	Common collective trust fund	380,981
* Vanguard Target Retirement 2050		
Trust II	Common collective trust fund	2,402,055
* Vanguard Target Retirement 2040		
Trust II	Common collective trust fund	138,122
* Vanguard Target Retirement 2055		
Trust II	Common collective trust fund	42,154
* Vanguard Target Retirement Income		
Trust II	Common collective trust fund	81,261
* Wells Fargo Stable Value Fund E	Common collective trust fund	937,622
		7,992,357
* The Clorox Company Common Stock	Common stock	1,111,663
* Participant Loans	Interest rates ranging from 4.25 to 5.25%	553,077
Total investments		\$ 16,045,227

\* Represents a party-in-interest to the Plan



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

THE CLOROX COMPANY  
EMPLOYEE RETIREMENT  
INVESTMENT PLAN  
FOR PUERTO RICO

Date: June 29, 2018

/s/ Laura Stein

Laura Stein  
Executive Vice President - General Counsel  
and Corporate Affairs

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Index to Exhibits

Exhibit No.	Description
23.1	Consent of Moss Adams LLP
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