2012 Sustainability Overview

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ABOUT THIS PUBLICATION

This is the 14th year that P&G has reported on its sustainability efforts. This publication details the progress we've made on our 2012 and 2020 goals, devoting a section to each of our focus areas: Products, Operations, and Social Responsibility. Data in this report covers the period from July 1, 2011, through June 30, 2012. Financial information is given in U.S. dollars. To view our full online report, which was prepared using the Global Reporting Initiative's (GRI) G3 Guidelines, please visit www.pg.com/sustainability.

ABOUT P&G

P&G serves approximately 4.6 billion people around the world with its brands. The Company has one of the strongest portfolios of trusted, quality, leadership brands, including Pampers, Gillette, Tide, Ariel, Downy, Pantene, Head & Shoulders, Olay, Oral-B, Crest, Dawn, Fairy, and Always. The P&G community includes operations in about 75 countries worldwide, and the Company's products are sold in more than 180 countries. P&G is a publicly traded company. Its stock is listed and traded on the New York Stock Exchange and NYSE Euronext-Paris under the symbol PG.

FTSE4Good

Dow Jones Sustainability Indexes
Member 2012/13

P&G has been a member of the FTSE4Good and Dow Jones Sustainability Indices since their inception. P&G is listed on the *Corporate Knights* Global 100 list of the world's most sustainable corporations and on *Corporate Responsibility Magazine's* 100 Best Corporate Citizens list.

At P&G, we are committed to delivering products and services that make everyday life better for people around the world. Our opportunity to touch and improve lives comes with a responsibility to do so in a way that preserves the planet and improves the communities in which we live and work. We focus our sustainability efforts on improvements that matter, to make the most meaningful impact we can. We're continuing to make progress in our focus areas of Products, Operations, and Social Responsibility, enabled by our employees and stakeholder partnerships.

Our Focus Areas

We have set specific strategies and goals to ensure we are delivering continuous improvement toward each of our focus areas.

Products:
Delight the consumer with sustainable innovations that improve the environmental profile of our products.

Operations:
Improve the environmental profile of our own operations.

Social Responsibility:
Improve children's lives through our social responsibility programs.

Our Enablers

In order to deliver our environmental and social programs, we must engage our employees and stakeholders. Our objective is to equip all P&G employees to build sustainability thinking and practices into their everyday work. We will also work transparently with stakeholders to enable us continued freedom to innovate in a responsible way.

Employees

Stakeholders

We believe most of the sustainability challenges the world faces can be solved with innovation, and that this innovation can have a positive business impact.

CEO Statement

We're celebrating P&G's 175th anniversary this year, a milestone that very few companies have achieved. From our Company's founding by William Procter and James Gamble, we have invested in the communities where we sell our products, and we have embraced the responsibility of ethical and sustainable operations. To grow and thrive for another 175 years requires us to accelerate our sustainable innovation and resource efficiency so that we have less environmental impact and, at the same time, continue to invest in our communities to help create the conditions for future growth.

In 2010, we declared our long-term sustainability vision that inspires how we innovate our products. It includes powering our plants with 100 percent renewable energy, using 100 percent renewable materials or recyclate for all products and packaging, having zero waste go to landfills, and delighting consumers with products that meet their needs while enabling them to conserve resources.

This vision is being brought to life through our innovation and productivity programs. We believe most of the sustainability challenges the world faces can be solved with innovation, and that this innovation can have a positive business impact. We are proud to have exceeded our sales goal of sustainable innovation products, which you will read more about later on in this report. We are renewing our commitment to discontinuous innovation—innovation that obsoletes current products and creates new categories and new brands that have environmental improvements. Tide PODS is a great example. The innovative, three-chamber, pre-measured packet can simply be dropped into the wash—no measuring, no worrying—and it dissolves in cold water. PODS save consumers both valuable personal time and money on energy costs, since there is no need to heat the water used in the laundry process. This is a sustainable innovation that enables the conservation of resources with no trade-off in product performance. P&G sales and Tide's market share have grown as a result.

We're also finding ways to be more productive and use our resources and materials more efficiently, delivering cost savings that fuel our growth. In February, we announced a $10 billion productivity program—$6 billion of which comes from the cost to manufacture and ship our products. Our sustainability efforts are an important way we will deliver these cost savings. For example, in the past 10 years, we have delivered nearly $1 billion from sustainability efforts in our operations. This is significant, and we see even more opportunities to improve.

Finally, we are investing in our communities in ways our brands can uniquely contribute. Our disaster relief efforts provide our trusted brands to families when they have lost everything. Pampers, which focuses on babies' happy, healthy development, is working to end neonatal tetanus. We are using P&G's proprietary water cleaning technology to bring clean water to millions of people in the developing world. In December 2011, we celebrated providing four billion liters of clean drinking water. This has saved over 20,000 lives, and our goal is to be able to save one life every hour by 2020. These programs address everyday health issues to build stronger, more stable communities. This is a positive thing to do for our society, and it is a positive thing to do for our Company. It creates goodwill and brand recognition we can build on in the years to come.

Everyone at P&G is proud of what we have achieved so far. We know there is much more to be done, and we look forward to delivering our sustainability vision and continuing to support the communities where we live and work for another 175 years.

Robert A. McDonald
Chairman of the Board, President and Chief Executive Officer

Our Vision and Goals

Today, P&G is the largest consumer packaged goods company in the world. Our size presents us with the responsibility to operate sustainably, and it also offers the opportunity to create scalable and sustainable innovations that grow our business. Our program is inspired by our long-term environmental vision, which includes:

Powering our plants with 100 percent renewable energy

Using 100 percent renewable or recycled materials in all products and packaging

Having zero consumer or manufacturing waste going to landfills

Designing products that delight consumers while maximizing the conservation of resources

In this report, we share progress toward each of our 2012 and 2020 goals listed below.

	2007–2012 Goals	2020 Goals
Products	· Develop and market at least $50 billion in cumulative sales of "Sustainable Innovation Products," which are products that have an improved environmental profile.	· Replace 25 percent of petroleum-based materials with sustainably sourced renewable materials.* · Conduct pilot studies in both developed and developing markets to understand how to eliminate landfilled/dumped consumer solid waste. · Have 70 percent of all washing machine loads use cold water. · Reduce packaging by 20 percent per consumer use.*
Operations	· Deliver an additional 20 percent reduction (per unit of production) in energy consumption, CO_2 emissions, disposed waste, and water consumption from P&G facilities, leading to a total reduction over the decade of at least 50 percent.	· Increase use of renewable energy in our plants to 30 percent. · Reduce manufacturing waste to landfill to less than 0.5 percent of input materials. · Reduce truck transportation by 20 percent per unit of production.
Social Responsibility	· Enable 300 million children to Live, Learn and Thrive. · Prevent 160 million days of disease from unclean water and save 20,000 lives by delivering four billion liters of clean water through our P&G Children's Safe Drinking Water program.	· Save one life every hour by delivering two billion liters of clean water every year.

*vs. 2010 baseline

These operations results have led to nearly $1 billion in cost savings, representing an important contribution to our bottom line.

Leadership Statement

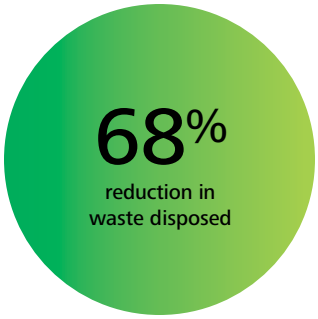
2012 is an important year for P&G relative to sustainability, as it marks the completion of our first sustainability goals, which we set five years ago. We are very proud of what we have achieved during this time.

With regard to products, we surpassed our goal of $50 billion in cumulative sales of Sustainable Innovation Products by $2 billion, for a total of $52 billion. We accomplished this by focusing on making meaningful sustainability improvements on our biggest brands, such as Tide, Ariel, Pampers, Pantene, and Gillette. These improvements were made without asking consumers to accept trade-offs in either cost or performance.

> **With regard to products, we surpassed our goal of $50 billion in cumulative sales of Sustainable Innovation Products by $2 billion, for a total of $52 billion.**

This approach was critical to our strategy of meeting the needs of the vast majority of consumers, who—our research has shown—are not willing to accept trade-offs in order to purchase sustainable products. This approach also leveraged our scale and innovation capabilities and drove top-line sales, which is an important component of ensuring environmental improvements are delivered in an economically sustainable way.

We have also made very strong progress over the past five years in improving the environmental profile of our operations. Our efforts have delivered absolute reductions in each one of our four footprints: 68 percent reduction in waste disposed, 14 percent reduction in water usage, 7 percent reduction in energy usage, and 5 percent reduction in direct CO_2 emissions. We have also achieved significant reductions on a production-adjusted basis (i.e., reduction per unit of production) in each of our footprints: 71 percent in waste, 22 percent in water, 16 percent in energy, and 14 percent in direct CO_2 emissions. Over the ten-year period of 2002–2012, we halved our environmental footprint on a production-adjusted basis, achieving a 74 percent reduction in waste, 58 percent in water, 52 percent in energy, and 54 percent in direct CO_2 emissions (Scope 1). All these operations results have led to nearly $1 billion in cost savings, representing an important contribution to our bottom line.



Our progress over the past five years in reducing CO_2 emissions would have been greater, but we made deliberate investments in a number of new cogeneration ("cogen") systems at our sites, which allow us to capture and reuse heat from on-site power generation. This has helped us achieve an 18 percent reduction in total CO_2 emissions since 2007 (i.e., Scope 1 + Scope 2). Although improving the environmental profile of our plants, these systems have also resulted in a net increase in the amount of fuel we consume on-site. This increased on-site fuel consumption was the primary reason we were only able to reduce Scope 1 emissions by 14 percent vs. our goal of 20 percent.

We remain committed to driving further reductions and, as shown later in this report (page 21), we have established new energy and CO_2 goals for our facilities.

Our social responsibility efforts continue to grow

Our social responsibility efforts continue to grow. We surpassed our goal of reaching 300 million children in need by 100 million, for a total of over 400 million children. We have also exceeded our goal of delivering four billion liters of clean water, due to the rapid expansion of partners and countries where P&G purification packets can be distributed.

> **We surpassed our goal of reaching 300 million children in need by 100 million, for a total of over 400 million children in all.**

As our 2007–2012 goals come to term, we look forward to continuing progress toward the goals we set for 2020. These goals are intended to put us on a path toward achieving our long-term environmental sustainability vision, which we announced in September 2010. Progress toward these goals—which are primarily focused on renewable materials, waste reduction, renewable energy, and packaging reduction—can be found throughout this report.

We cannot solve these challenges on our own. Addressing the issues we all face requires collaboration and collective responsibility. At P&G, we are committed to partnering with NGOs, governments, trade associations, academics, suppliers, and our retail partners to ensure we share expertise and focus on creating solutions. We believe that by working together, we can innovate to solve our sustainability challenges.

Len Sauers
Vice President, Global Sustainability

Our Final Results: 2007–2012 Sustainability Goals

This report card outlines our final results for the five-year goals we set in 2007. Our progress demonstrates how we have embedded our sustainability objectives into our business in order to reach our goals. Additional details of how we delivered these goals are found on the first page of the Products (p.9), Operations (p.17), and Social Responsibility (p.23) sections of this report.

Products

GOAL

Develop and market at least $50 billion in cumulative sales of "Sustainable Innovation Products," which are products that have an improved environmental profile.[1]

PROGRESS (in U.S. dollars)

	Since July 2007
Cumulative sales of Sustainable Innovation Products	**$52 billion**

Operations

GOAL

Deliver an additional 20 percent reduction (per unit of production) in energy consumption, CO_2 emissions, disposed waste, and water consumption from P&G facilities, leading to a total reduction over the decade of at least 50 percent.

PROGRESS (percent reduction per unit of production)

	Since July 2007	Since July 2002
Energy Usage	-16%	-52%
CO_2 Emissions	-14%	-54%
Waste Disposal	-71%	-74%
Water Usage	-22%	-58%

Social Responsibility

GOAL

Enable 300 million children to Live, Learn and Thrive.[2] Prevent 160 million days of disease from unclean water and save 20,000 lives by delivering 4 billion liters of clean water through our P&G Children's Safe Drinking Water program.[3]

PROGRESS

	Since July 2007
LIVE, LEARN AND THRIVE Number of Children Reached	400 million
P&G CHILDREN'S SAFE DRINKING WATER PROGRAM Liters of Clean Water Delivered	4.22 billion
Days of Disease Prevented	>170 million
Lives Saved	>22,000

These goals, originally set in 2007, were increased in March 2009. The goal for P&G Children's Safe Drinking Water (CSDW) program was again increased in September 2009.

(1) Sustainable Innovation Products are included if they have launched in market since July 1, 2007, and have a >10% improvement compared to a previous or alternative version of the product in one or more of the following indicators without negatively impacting the overall sustainability profile of the product: A. Energy, B. Water, C. Transportation, D. Amount of material used in packaging or products, E. Substitution of non-renewable energy or materials with renewable sources.

(2) Live, Learn and Thrive (LLT) is P&G's global cause that focuses our social investments on efforts that improve the lives of children in need.

(3) Within Live, Learn and Thrive, our signature program is P&G Children's Safe Drinking Water. Methodology for calculating diarrheal days and mortality was developed with Population Services International and Aquaya Institute. Details are provided in the 2012 Sustainability Report found at www.pg.com/sustainability.

Products

2012 Goals Results

At P&G, we combine a deep understanding of consumer habits and preferences with a science-based approach to deliver environmental improvements in our products. We know that a majority of consumers are unwilling to accept trade-offs in price or performance to be more sustainable. We combine this insight with a second factor called life-cycle thinking—an approach that examines the environmental impacts of our products from raw materials through manufacturing, consumer use, and disposal. This analysis helps us identify steps in the cycle where a sustainable improvement can have the most significant impact.

In 2007, we set a goal to develop $50 billion in Sustainable Innovation Products (SIPs), which are products that have a significantly reduced (>10%) environmental footprint compared to a previous or alternative version of the product, yet still deliver great product performance. We are proud to report that we have developed and marketed over $52 billion in cumulative sales of SIPs. We have focused on our biggest brands, which deliver significant environmental improvements due to their size and global reach—brands like Pampers, Tide, and Ariel. Most importantly, the focus of Sustainable Innovation Products is to achieve all this without any trade-offs for the consumer. The products featured here are a few of the Sustainable Innovation Products that P&G has launched over the past five years.

$52 billion

Streamlining Whitestrips

Since their introduction in 2001, Crest Whitestrips have become the best-selling tooth-whitening product in the U.S. Their upper and lower strips initially came in separate foil pouches. But in 2007, we combined them into a single pouch, reducing the amount of material used by 190 tons per year. This change also made the assembly line more efficient and increased consumer satisfaction.

Innovating to Use Less

Over the past two decades, Pampers has consistently focused on developing materials and designs that use fewer resources while delivering a high-performing product. In 2009, P&G developed a new innovation called Airfelt-free, which allowed all fluff pulp to be removed from the core of the Cruisers/ActiveFit diaper. In 2010, changes to the packaging of this product led to more efficient distribution, allowing us to take hundreds of trucks off the road.

Putting Compaction to Work

In 2007, P&G introduced compacted liquid versions of our North America laundry brands—Tide, Gain, Cheer, ERA, and Dreft. This innovation has been the largest contributor to the Company's $50 billion commitment to SIPs. Due to improvements in the manufacturing of these compact detergents, sustainability benefits per unit of production include a 20 percent reduction in CO_2 emissions, 15 percent less solid waste production, 20 percent reduction in energy consumption, and 15 percent reduction in water consumption.

Renewable Materials

OUR VISION 100 Percent Renewable or Recycled Materials in All Products and Packaging

2020 GOAL PROGRESS

When we established our Renewable Materials goal, we knew that developing renewable materials would require significant research to ensure that our solutions were technically, environmentally, and economically viable. Since announcing our goal, we have conducted a detailed analysis of our petroleum-derived raw materials and identified the material classes that best deliver our goal. For most of these materials, we've established a clear development pipeline, and we are now moving toward pilot scale production of several key materials. We have already incorporated plant-based plastic in some shampoo bottles, but we anticipate the bulk of our new renewable material replacements will be commercialized between 2015 and 2020.

2020 GOAL

Replace 25% of petroleum-based materials with sustainably sourced renewable materials

Expanding the Reach of Pantene's Bio Bottle

The Pantene brand has continued to increase its use of renewable materials by further expanding its Nature Fusion bio-resin bottle—constructed of up to 45 percent plant-based materials, excluding the cap. Having first launched the bio-resin bottle in Western Europe and the United States in 2011, Pantene recently launched it in Russia, Turkey, and Poland. Nature Fusion has grown to be the third-largest Pantene collection among these countries. Pantene plans to expand its bottle with bio-resin to the Middle East, North Africa, and Pakistan in late 2012.

Partnering for Renewable Plastics

P&G is a proud member of the Plant PET Technology Collaborative (PTC). Established in April 2012, the Collaborative is a strategic working group focused on the research and development of plastic polymers made entirely from plant-sourced materials. The five-member Collaborative consisting of The Coca-Cola Company, Ford Motor Company, H.J. Heinz Company, NIKE, Inc., and P&G was created with the intent of increasing sustainable production of plant-based polyethylene terephthalate (PET). This lightweight and durable plastic is used by all PTC companies in a variety of products and packaging—representing a significant opportunity to reduce environmental impacts by developing PET that is derived from renewable materials.

Bottle made of up to 45% plant-based materials

Consumer Waste

OUR VISION Zero Consumer Waste Going to Landfill

2020 GOALS PROGRESS

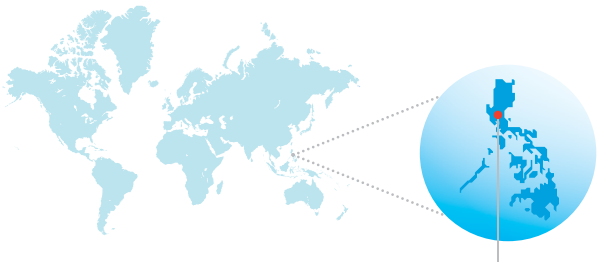
We continue to evaluate waste reduction pilot opportunities in both developed and developing regions. Below, we highlight one pilot program already under way, and we plan to continue to explore additional pilot opportunities between now and 2020. Importantly, we anticipate that many of these pilots will be multi-stakeholder efforts, with P&G as a key contributor. This is consistent with our belief that successful, scalable solutions require the collaboration of multiple stakeholders.

2020 GOAL

Conduct pilot studies in both developed and developing markets to understand how to eliminate landfilled/dumped consumer solid waste

From Waste to Worth

P&G created the Waste to Worth (W2W) team, which was tasked with designing a solution to waste infrastructure in the developing world. The team conducted a comprehensive study in the Philippines, with the cooperation of government stakeholders, to understand the tonnage and composition of the waste stream, including the percent that is biodegradable, recyclable and residual. All of this data led to the design of an integrated, profitable, and replicable waste management business model that extracts value from the waste stream—materials that would otherwise be thrown away. We are partnering with the Asian Development Bank with the goal of piloting this business model in Antipolo, Philippines, and we have just offered the project to a company that will own and operate the facility under the business model created. Anticipated start of operations begins in 2013, with the creation of the Materials Recovery Facility.



Antipolo, Philippines

"We are grateful that P&G has chosen the Philippines to pilot its Waste to Worth project. Its noble objectives coincide with the Department of Environment and Natural Resources' (DENR) serious and relentless pursuit of our mandate on solid waste management. We are committed to extending all the necessary assistance to those helping us implement the solid waste management systems that will reduce the volume of waste that goes to landfill and promote reusing and recycling of solid waste for valuable purposes. We hope that the successful implementation of this project will enable the Philippines to become a premier green country in Asia."

Ramon J.P. Paje
DENR Secretary, Philippines

Cold-Water Washing

OUR VISION Designing Products That Conserve Resources

2020 GOALS PROGRESS

We continue to make excellent progress in developing cold-water laundry detergents that meet consumers' expectations for performance and value, and we have technologies in development that will extend our performance in even colder wash temperatures. We're continuing our consumer education efforts around cold water and are seeing positive trends, estimating that up to 40 percent of global machine loads are being washed in cold water today. While this is encouraging, we know that in order to reach our target of 70 percent, we will need to better scale and coordinate our efforts across multiple stakeholders. This will be a key focus area during the coming year.

2020 GOAL

Have 70% of all washing machine loads use cold water

Achieving Efficiency Together

Based on the insight that 90 percent of the energy used in a traditional washer goes to heating the water, Tide teamed up with Maytag to promote the launch of the new line of Bravos XL Top Loading High Efficiency Washers, which feature a new cold wash cycle. When used with Tide Coldwater HE, the system delivers a better clean than the normal warm cycle with the leading competitor HE detergent. The system works by using a concentrated solution of surfactants and other cleaning agents found in Tide Coldwater HE during the cold wash cycle, which includes an "Active Soaking Phase." The combination of the Maytag cold wash cycle and Tide Coldwater HE not only gives an amazing clean in cold water, but the cold wash cycle can also save consumers $2,000 in lifetime energy costs and uses 78 percent less energy when compared to a pre-2004 traditional top-load washer, using a normal wash cycle, based on an 11-year average appliance life. This is a great win for both consumers and the environment.

78% less energy used per household and a better clean than the leading competitor HE detergent in warm water.

Taking a Load Off the Energy Grid

Our U.S. Future Friendly program marked Earth Day 2012 with "Take a Load Off"—a campaign designed to show consumers how using a product like Tide Coldwater can help take a load off the energy grid, their wallets, and the environment. In just four weeks, the campaign generated significant traditional and social media coverage, translating into strong consumer engagement and over 35,000 commitments to "go cold."

TV personality Vanessa Lachey supports the "Take a Load Off" campaign

High-performance washing, even in cold water

Designing for All Temperatures

Tide PODS launched in North America in February 2012 as a breakthrough single-unit dose of laundry detergent. We wanted to ensure that the product worked effectively in cold water, as nearly 40 percent of consumers wash in cold to save energy and money and to preserve their clothes. We needed to overcome the challenge of chemistry working slower in colder temperatures, so we optimized our highly concentrated formula for great performance in cold water, even when water was nearly freezing. We also partnered with a leading film supplier to jointly develop a new best-in-class film that was designed for strength and fast "dissolve-ability," even in cold water.

Packaging Reductions

OUR VISION Zero Consumer Waste Going to Landfill

2020 GOAL PROGRESS

Our packaging reduction efforts have continued to deliver cost savings from avoided material usage while still ensuring that our packaging protects the product and meets consumers' needs. While there are practical limits to how far packaging can be reduced, innovations like Tide PODS and our continued focus on design optimization make us confident that we will achieve our 2020 goal.

Over the last year, we've focused on developing packaging reduction plans for key product categories and have improved our global measurement and tracking systems. We're committed to maintaining our focus on executing these product category packaging reduction plans and evaluating new technologies and materials that can move us closer to achieving our goal.

2020 GOAL

Reduce packaging by 20% per consumer use

Delighting Consumers and Helping the Planet

Our Blades and Razors category switched its high-volume North America club packaging from plastic thermoform clamshells to a paperboard primary carton—a reduction of 164,000 kg of packing material per year. This new carton made the product more than 50 percent more efficient to ship and resulted in over $1 million in annual cost savings. Consumers like it better because it's easier to open, and our retail partners like it because it's more visually appealing on the shelf.

Stephen Sikra
Global Packaging Development

External partnerships are a key part of our efforts to reduce material usage and increase recycled content in our products.

"I lead P&G's partnership efforts with the Association of Postconsumer Plastic Recyclers (APR). APR has helped P&G test new package designs prior to market entry to ensure they are compatible with existing recycling infrastructure. More recently, P&G helped support an APR pilot project focused on recovering grocery store plastic packaging which identified more than 350 million pounds of plastic material that can be used by plastic recycling facilities across the country."

New 2020 Product Goals

SUSTAINABLY SOURCED RENEWABLE MATERIALS

As a member of the Consumer Goods Forum, P&G joined other member companies in a pledge to mobilize resources within their respective businesses to help achieve Zero Net Deforestation by 2020.

100%
third-party certified pulp by 2015

We have already committed that by 2015 we will confirm that all palm oil purchases originate from responsible and sustainable sources. We are also establishing two new goals related to our use of wood fiber:

- By 2015, 100 percent of the virgin wood fiber used in our tissue/towel and absorbent hygiene products will be third-party certified; 40 percent of the virgin wood fiber used in our tissue/towel products will be Forest Stewardship Council (FSC) certified.
- By 2020, 100 percent of our paper packaging will contain either recycled or third-party certified virgin content.

Collectively, these three goals help demonstrate our commitment to working toward zero net deforestation by 2020. For additional information on our efforts in these areas, please see our full 2012 Sustainability Report available on pg.com/sustainability. For additional information on the Consumer Goods Forum Pledge, please go to www.theconsumergoodsforum.com.

Using Forest Resources Responsibly

Over the last five years, we've deepened our partnership with the World Wildlife Fund (WWF), the WWF-led Global Forest & Trade Network (GFTN), and the Forest Stewardship Council® (FSC) in order to ensure we support critical programs that help us, and others, meet the challenges of responsibly using forest resources.

One example of this is a project P&G is helping to finance through WWF Brazil to enable small landowners in Brazil achieve FSC certification of their wood supply. The complexity and cost of achieving FSC certification for these landowners is a barrier to our primary suppliers' ability to pursue certification, but we are collaborating with WWF Brazil and FSC to help develop systems that will allow the landowners to ultimately achieve FSC certification. In addition, the project will also restore fragmented Atlantic Forest present on the properties of these small landowners.

"P&G's support of this project is fostering FSC certification among small landowners and increasing the scale of WWF-Brazil's efforts to restore Atlantic Forest fragments in these properties. These small landowners will benefit not only from ensuring a market for their FSC certified eucalyptus, but also from other ecosystem services, such as water recharge and carbon storage."

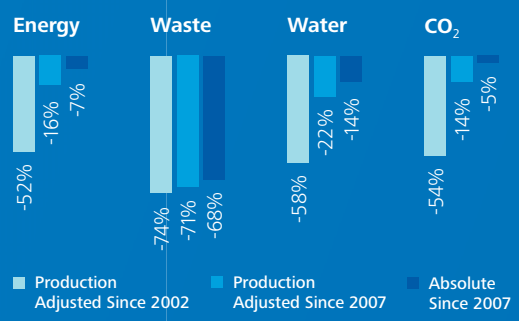
Maria Cecilia Wey de Brito, *WWF Brazil's Chief Executive Officer*

Operations

2012 Goals Results

Our operations sustainability improvements take a holistic view of the supply chain, including our suppliers, our own manufacturing processes, and finished product logistics. Our conservation efforts within our manufacturing facilities are targeted on three specific strategies, consistent with how we approach our overall operational efficiency: getting our equipment back to optimal condition, reapplying best-in-class processes across our business units, and implementing breakthrough technologies. These efforts have enabled us to deliver strong sustainability improvements in our operations results over the past five and ten years.

We are pleased to have made significant absolute reductions in our Energy, Waste, Water, and CO_2 footprints by delivering 7 percent, 68 percent, 14 percent, and 5 percent reductions, respectively, since 2007. We also delivered production-adjusted improvements for all four footprints. We achieved our goal of a 50 percent reduction (per unit of production) for Energy, CO_2, Waste, and Water since 2002. We also achieved our goal of a 20 percent reduction (per unit of production) for Water and Waste since 2007, but we fell short of our 20 percent reduction goal for CO_2 and Energy. We remain committed to driving future reductions and provide additional details on our efforts below.



Energy

Over the past five years we have reduced energy usage by 7 percent on an absolute basis, and we achieved our ten-year goal of at least a 50 percent reduction per unit of production. Since 2007, we reduced energy use by 16 percent on a production-adjusted basis, but we did not reach our five-year goal of a 20 percent reduction.

Waste

We have delivered very strong results in waste reduction over the past five years, reducing our waste by 68 percent on an absolute basis and 71 percent on a production-adjusted basis — more than tripling our goal of 20 percent. Particularly impressive results came from two of our Mexican plants which increased their recycling to 99 percent and 95 percent. The Apizaco plant identified three separate outlets to recycle/reuse their reject paper fibers while the Vallejo plant installed new equipment that allows wastewater to be donated for irrigating parks and green spaces.

Water

We have delivered strong results in reducing water consumption over the past five years, reducing water consumption by 14 percent on an absolute basis and 22 percent on a production-adjusted basis, exceeding our goal of a 20 percent reduction.

CO_2

Since 2007, we have reduced our CO_2 emissions by 5 percent on an absolute basis and by 14 percent on a production-adjusted basis. We did not reach our goal of a 20 percent reduction (production-adjusted), primarily due to deliberate investments we made in cogeneration technology. These investments lowered our combined emissions from Scope 1 and Scope 2 (from purchased electricity) by 18 percent and delivered significant savings to the business, but did not enable us to reach our Scope 1 emissions goal.

Renewable Energy

OUR VISION 100 Percent Renewable Energy Powering Our Plants

2020 GOAL PROGRESS

Today, roughly 7 percent of our energy comes from renewable sources. We have a renewable energy team dedicated to implementing a plan to profitably power our plants with 30 percent renewable energy by 2020. This team is building strong partnerships with leading companies and university experts and is in the process of prioritizing technologies and projects that are both economically and environmentally sustainable. We anticipate having a diverse mix of renewable energy sources, both on-site and off-site, across all aspects of our operations. Overall, we're confident that we have the correct strategies in place to achieve our 2020 goal.

2020 GOAL

Increase use of renewable energy in our plants to 30%

Supporting Local, Renewable Energy Sources

Our biomass boiler in Albany, Georgia, produces steam to power our plant by using renewable resources. The boiler uses locally purchased wood, supporting local jobs and decreasing the net CO_2 production that would have resulted from burning fossil fuels. Wood is delivered to the boiler, where combustion takes place on vibrating grates. A Wet Electrostatic Precipitator then scrubs particulate emissions from the boiler and its leftover ash is beneficially reused to enhance farmlands.

Biomass Boiler
Albany, Georgia

Innovating Solutions with Experts

In July of 2011, we invited sustainability experts from outside P&G to help us develop renewable energy solutions for three of our most energy-consuming plants in the U.S., Mexico, and Malaysia. The partners brought innovative ideas that helped us see the issues in new ways, while P&G's own experts brought a wealth of experience that would help us turn those ideas into concrete plans. Following the ideation session, we have continued to foster the relationships we formed with these experts, and we have entered into formal working relationships with several individuals. They are helping us understand how to evaluate and prioritize projects and how to develop investment and action plans while also helping us conduct scenario-planning sessions to evaluate our project portfolio.

Manufacturing Waste

OUR VISION Zero Manufacturing Waste Going to Landfill

2020 GOAL PROGRESS

We continue to make excellent progress towards our manufacturing waste reduction goals. Over the past year, more than 99.2 percent of all materials entering our plants were beneficially used in our products and through recycling, reuse, and conversion of waste to energy. This result is only 0.3 percent away from our 2020 goal. Additionally, over 10 percent of our sites have achieved zero manufacturing waste to landfill. These results have been delivered primarily by a strong partnership between our Global Asset Recovery & Purchases team (GARP), our manufacturing plants, our distribution centers, and our recycling vendors, who all continue to find new, innovative and cost-effective solutions for our manufacturing waste.

2020 GOAL

Reduce manufacturing waste to landfill to less than 0.5% of input materials

Making Zero Manufacturing Waste a Reality

In an effort to motivate employees to reduce waste, the team at our plant in Cape Girardeau, Missouri, created an internal rallying cry: **"The Power of Zero."** The program focused on delivering zero defects and zero losses with the goal of "starving landfills." Using innovative solutions, they recaptured 100 percent of all manufacturing materials, recovering enough paper each year to cover the earth ten times. Employees recycled aerosol cans, batteries and light bulbs and even used liquid waste as an alternative fuel. By looking at waste as Company loss and finding opportunities to make sustainable changes, Cape Girardeau now sends zero manufacturing waste to landfills.

P&G's Crailsheim plant in Germany is another example of our commitment to zero manufacturing waste to landfill across the Company.

"We needed to change our culture to reach zero manufacturing waste to landfill, so we created an interactive tool to educate employees about the proper disposal methods for every type of waste. Then we created a center that collects specified materials at designated times, which enabled 45 different materials to be recycled. Today, we ship 13,000 tons of waste from the plant to be recycled, reused, or converted to energy, and we send zero manufacturing waste to landfills!"

Michael Hagemeyer
Crailsheim Plant Waste Business Leader

Transportation

2020 GOAL PROGRESS

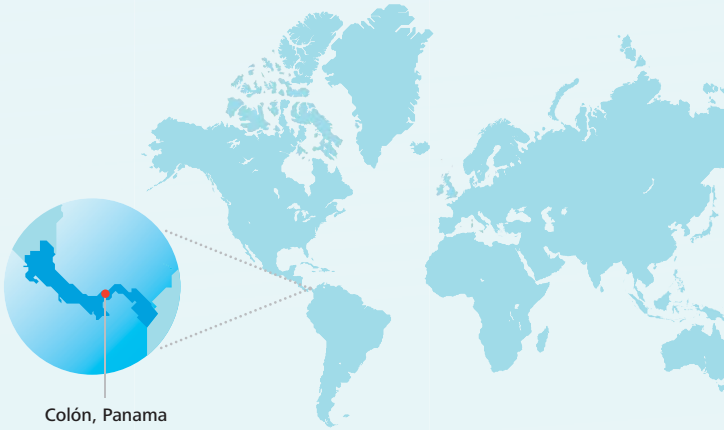
We have continued to optimize our distribution networks, which has brought significant efficiency gains and cost savings. We have plans in place for each region that will help us achieve our truck transportation goal by 2020. The plans include optimizing transportation modes and routes as well as operational excellence.

2020 GOAL

Reduce truck transportation by 20% per unit of production

Improving Lead Times, Inventory, and Environmental Impact

We reinvented P&G's distribution center in Colón, Panama, collapsing smaller product categories into common shipments and combining inventories of two or more countries. This approach not only achieved 40 percent lower lead times and lowered inventory by 11 percent, but it also resulted in 580 fewer containers in transit. Removing these containers decreased the center's shipping by 5 million kilometers and reduced CO_2 emissions by 5,906 metric tons. The program was such a success that the distribution center is continuing its efforts to increase efficiency and sustainability for 2013 and beyond.



We design our supply chains to eliminate inefficiencies, improve customer satisfaction, better utilize assets, and also be environmentally responsible.

"In our CEEMEA region [Central and Eastern Europe, Middle East and Africa], we wanted to reduce our CO_2 emissions from transportation, so we put our focus on improving equipment fill rates, reducing empty miles, and extending usage of intermodal. We also realized that because so much of our supply chain is owned or operated by other companies, we couldn't do it alone. So we teamed up with our carriers, suppliers, and customers to combine shipment contents at every leg of the product supply and delivery journey. Thanks to all of those efforts, we eliminated excessive truck trips and reduced CO_2 emissions by 3,500 metric tons."

Ania Polczynska
Central and Eastern Europe Transportation

New 2020 Operations Goals

REDUCING OUR FOOTPRINT

We continue to focus on sustainability in our operations by announcing new 2020 goals to help achieve our long-term vision of powering our plants with 100 percent renewable energy by delivering footprint reductions of 20 percent per unit of production in Energy Usage and Total CO_2 Emissions (Scope 1 and Scope 2).

Our footprint sub-team that is focused on energy and CO_2 will identify a glidepath to reach our goals. We will continue to focus on our conservation efforts which are fully embedded in our overall operations business strategy, with an approach called "Back to Base." This approach focuses on restoring the operation of our equipment to its optimal state, identifying energy losses and fixing them to their most efficient condition. Secondly, we benchmark and reapply energy best practices by identifying which sites have the best results and reapplying these practices across sites with similar technology. The last strategy requires the collaboration of multifunctional teams to deliver the "breakthrough" technology of the future.

With respect to our CO_2 goal, we are expanding the scope of emissions on which we measure ourselves. While our 2007–2012 CO_2 goal was only for Scope 1 emissions, we are now measuring ourselves on a combined Scope 1 and Scope 2 emissions goal. We believe this gives a fuller picture of the total emissions from our operations.

While we don't yet have all the answers necessary to achieve our goals, we are committed to making disciplined, step-by-step progress through the conservation and breakthrough work that is already under way.

20% Reduction in CO_2 and energy

Social Responsibility

2012 Goals Results

We focus our social responsibility efforts in ways that enable our Company, our brands, and our people to make a unique and lasting impact on the people we serve. Our programs operate where we currently reach consumers and in communities where we hope to someday serve consumers. We see our social responsibility efforts as an expression of the good that our brands can do in the world today, as well as an investment in the future.

In 2007, P&G announced two ambitious social responsibility goals to accomplish by 2012. The first was to help 300 million children around the world with programs that enable them to live, learn and thrive. The second was to deliver 4 billion liters of clean water to prevent 160 million days of disease and save 20,000 lives.

We are pleased to report that we have exceeded both of these goals. Between 2007 and 2012, we helped over 400 million children around the world, and we delivered 4.22 billion liters of clean water, which prevented more than 170 million days of disease and saved over 22,000 lives.

LIVE, LEARN AND THRIVE
Number of Children Reached

400 million

P&G CHILDREN'S SAFE DRINKING WATER PROGRAM
Liters of Clean Water Delivered

4.2 billion

Number of Lives Saved

22,000

Days of Disease Prevented

170 million

Our programs can be found in over 120 countries and in every region in the world. The number of countries where we have programs has grown 100 percent since we began our Live, Learn and Thrive program in 2005.

Live, Learn and Thrive Locations

Improving Babies' Lives in Africa

As part of a global commitment to healthy baby development, Pampers provides assistance to new mothers and babies in sub-Saharan Africa through a variety of programs. For instance, the brand's "One Pack = One Vaccine" partnership with UNICEF has been providing vaccines against Maternal and Newborn (Neonatal) Tetanus (MNT) for more than five years. With help from Pampers, six African countries have been validated by the World Health Organization as having eliminated MNT—Burkina Faso, Ghana, Guinea-Bissau, Liberia, Senegal, and Uganda.

Pampers is also committed to healthy baby development in other ways. For example, through its Point of Market Entry (POME) programs, Pampers has enabled more than 8 million mothers to receive free health advice at immunization clinics and hospitals across Nigeria. In South Africa, a Pampers partnership with the Department of Home Affairs has helped register 450,000 newborns, giving them better access to social benefits like healthcare and education.

6
African countries have eliminated Maternal and Newborn Tetanus

Reaching a Milestone with Children's Safe Drinking Water

The P&G Children's Safe Drinking Water Program (CSDW) reached a major milestone in late 2011 when it provided its 4 billionth liter of clean drinking water since its inception in 2006. This occurred during a relief effort in Thailand, where flooding took the lives of 500 people and displaced millions more. Dr. Greg Allgood, Director of the P&G CSDW Program, visited families affected by the flooding and demonstrated the use of P&G Purifier of Water.

P&G Children's Safe Drinking Water

Supporting the Education of India's Children

Close to half of India's children lack access to primary school. We're helping address this through a multi-brand cause-related marketing program known as Shiksha (meaning "Education") established in 2005. Through the Shiksha program, P&G has built and supported more than 200 primary schools, which has helped give 385,000 underprivileged children access to education since its inception. We know that access to education can improve the future for children, and we are pleased to report such encouraging results.

Along with Shiksha initiatives, P&G is committed to improving life in additional ways throughout India. For example, Whisper's *Parivartan* program (meaning "Transformation") has empowered 2.5 million girls by delivering timely menstrual hygiene education—helping to keep them from missing an average of 50 days of school a year due to inadequate feminine protection.

Promoting Hand Washing in Mexico

Since 2009, the Escudo brand (also known as "Safeguard" in many parts of the world) has worked hard in Mexico to promote a culture of hand washing, which is among the most effective ways to prevent diarrheal diseases and pneumonia. Escudo's support of UNICEF's Global Hand Washing Day has enabled the education of nearly 1 million children about proper hand washing practices to prevent disease.

In 2012, Escudo teamed up with Save the Children to develop workshops in schools across Mexico. The preliminary outcomes collected by Save the Children have been extraordinary. After the intervention of more than 13,000 children in southeastern states of Mexico, the data showed that diarrhea-related diseases decreased by 50 percent and disease-related school absences were down 11 percent.

"If I had known how easy and simple it is to wash my hands, I wouldn't have had stomachaches. Now I know I can prevent diseases."

Aranza
13 years old

Donating Products to Those in Need

We believe our products play an integral part in serving people in need. Just this year, P&G donated more than 2,000 pallets of product to In Kind Direct, a charity established by H.R.H. The Prince of Wales to redistribute donations across the UK. One such recipient—Darnall Community Nursery—is helping 130 families every month with support from P&G and In Kind Direct. According to Nursery Manager Claire Ward, "You only have to look around the nursery, from the kitchens and bathroom to the main play areas, to see the range of Procter & Gamble products we get." The unique product benefits we offer are important in providing the everyday basics people need for themselves, their families, and their homes. Brands like Pampers, Gillette, Duracell, Pantene, Ariel, and Oral-B are important to helping improve health and confidence for people in need.

Preventing Pneumonia in Bangladesh

In early 2012, the Vicks brand in Spain launched the first Vicks Breathe for Life program to benefit Save the Children's pneumonia project in Bangladesh. The program allowed consumers to "donate a breath to a child who needs it." By purchasing Vicks products or participating in an online campaign, consumers helped Vicks donate critical funding for education, supplies, and medications that helped treat Bangladeshi children and protect them from pneumonia. The donations from the Vicks Spain program have already enabled more than 7,000 children in Bangladesh to get treatment for pneumonia, helping them breathe a little easier.

Clean Drinking Water

2020 GOAL PROGRESS

In order to reach our 2020 goal of saving one life every hour, we will provide 2 billion liters of clean drinking water every year. We'll accomplish this by providing 200 million P&G water purification packets every year in the developing world where 4,000 children die every day from unclean water. Each packet quickly turns ten liters of potentially deadly water into clean, drinkable water. The packets will be produced at a dedicated manufacturing facility we will open in Singapore in November 2012.

As a sign of our commitment to the P&G Children's Safe Drinking Water Program, we literally put our Company name on the packets. This coincided with the sale of our PUR water filtration business in December 2011, and we changed the name from "PUR Purifier of Water" to "P&G Purifier of Water." This was the first time the Company logo has appeared prominently on a product since P&G Naphtha Soap launched in 1904. It's been over 100 years, and we felt that now was the right time and this was the right product to make this statement of the Company's support.

P&G Purifier of Water Facts:

- Removes more than 99.99999 percent of common waterborne bacteria (including those that cause cholera), 99.99 percent of common waterborne viruses (including those that cause hepatitis A) and 99.9 percent of protozoa.
- Proven to reduce diarrheal disease incidence in the developing world by up to 90 percent.

2020 GOAL

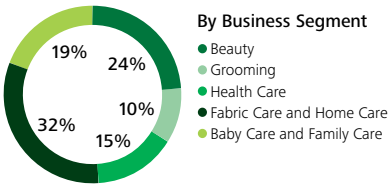
Save one life every hour by delivering 2 billion liters of clean water every year

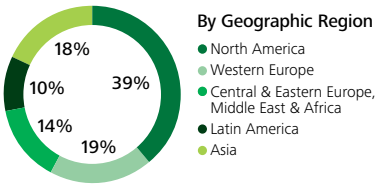
P&G at a Glance

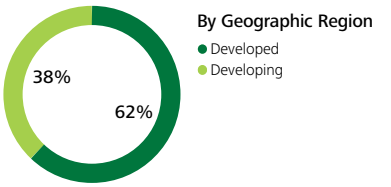
Recognition: P&G is consistently recognized as a leading global company, earning a variety of awards and recognition in areas such as reputation, leadership, and innovation. Gartner recognized P&G at #5 on its "Top 25" list of global Supply Chain Leaders. Our commitment to creating a diverse workplace has been recognized by *DiversityInc*, *Working Mother* and the National Association for Female Executives, which ranked P&G in its "Top 50 Companies for Executive Women."

Sustainability: For the fourteenth consecutive year, P&G earned a spot on the Dow Jones Sustainability Index. *Corporate Knights* ranked us #66 on its "Global 100 Most Sustainable Corporations in the World."

2012 Net Sales: $83.68 billion







Resource and Waste Summary

The table below reports environmental statistics for Manufacturing Operations in the Global Business Units, Technical Centers and Distribution Centers. It reflects divestiture of Coffee and Pharmaceutical Businesses.

	Totals (absolute units x 1,000)			2012 Global Business Unit Detail (1) (absolute units x 1,000)						
	2012	2011	2010	Beauty	Grooming	Health Care	Fabric Care and Home Care	Baby Care and Family Care	Technical Centers	Distribution Centers
Production (metric tons)										
Product Shipped	**25,618**	26,021 (6)	24,213	2,154	660	1,076	16,682	5,046	0	0
Raw Materials from Recycled Sources	**646**	593	784	137	51	49	250	159	0	0
Waste (metric tons)										
Generated Waste	**985**	1,025	1,048	135	29	97	353	325	20	26
Percent Recycled/Reused Waste	**79%**	69%	63%	73%	95%	88%	69%	89%	31%	79%
Disposed Waste (metric tons)										
Waste Disposed	**212**	315	363	36	1	12	110	34	14	5
Solid Waste—Non-Hazardous	**157**	250	287	31	1	10	77	23	11	4
Solid Waste—Hazardous	**20**	23	28 (2)	1	0	1	16	0	0	2
Effluents (excluding water)	**22**	27	34	3	0	0	12	4	3	0
Air Emissions (3)	**13**	15	15	1	0	1	4	7	0	0
Other										
Energy Consumption (gigajoules)	**72,306**	73,998	71,842	4,104	2,509	2,895	19,123	40,743	2,378	554
Direct Greenhouse Gas Emissions (metric tons) (4)	**2,799**	2,906	2,795	122	64	44	607	1,888	58	16
Total Greenhouse Gas Emissions (metric tons) (7)	**5,827**	6,123	6,200	434	228	273	1,562	3,008	266	55
Water Consumption (cubic meters)	**78,564**	79,999	80,914	7,248	867	1,888	17,843	43,738	6,980	0
SARA Releases (metric tons) (5)	**1.65**	2.57	1.83	0.03	0.00	0.00	1.56	0.06	0.00	0.00

1 metric ton = 1,000 kg = 2,205 lbs.

(1) Beauty includes Hair Care and Personal Beauty Care. Grooming includes Blades and Razors, and Devices. Health Care includes Personal Health Care, Feminine Care and Oral Care. Fabric Care and Home Care includes Fabric Care, Home Care, Batteries, Snacks and Pet Care. Baby Care and Family Care includes Baby Care and Family Care. Technical Centers includes each of the technical and research centers that support the business units. Distribution Centers includes facilities that distribute finished product. Numbers do not include production from contract manufacturing operations.

(2) Reflects corrected information listed in the 2010 report.

(3) Air emissions include particulates, SO_2, NO_x, CO, and VOC.

(4) Greenhouse gas emissions resulting from fuel combustion sources.

(5) Releases defined in the U.S. Superfund Amendments and Reauthorization Act (SARA) by the U.S. Environmental Protection Agency.

(6) Reflects corrected information listed in the 2011 report.

(7) Greenhouse gases resulting from fuel combustion sources and purchased electricity.

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2020 Goals Chart

The following represents a summary of our 2020 goals, some of which are newly announced in this report. The products and operations goals are inspired by our long-term environmental vision, which can be found on page 3.

Products

Renewable Materials	Replace 25 percent of petroleum-based raw materials with sustainably sourced renewable materials for our products and packaging.*
	Confirm that all palm oil purchases have originated from responsible and sustainable sources by 2015.
	NEW Have 100 percent of the virgin wood fiber used in our tissue/towel and absorbent hygiene products be third-party certified by 2015. Have 40 percent of the virgin wood fiber used in our tissue/towel products be FSC certified.
	NEW Have 100 percent of our paper packaging contain either recycled or third-party certified virgin content by 2020.
Waste	Conduct pilot studies in both developed and developing markets to understand how to eliminate landfilled/dumped consumer solid waste.
Cold Water Washing	Have 70 percent of all washing machine loads use cold water.
Packaging Reductions	Reduce packaging by 20 percent per consumer use.*

Operations

Renewable Energy	Increase use of renewable energy in our plants to 30 percent.
	NEW Reduce energy use at P&G facilities and total CO_2 (Scope 1 and Scope 2) by 20 percent per unit of production by 2020.*
Manufacturing Waste	Reduce manufacturing waste to landfill to less than 0.5 percent of input materials.
Transportation	Reduce truck transportation by 20 percent per unit of production.*

Social Responsibility

Save One Life Every Hour	Save one life every hour by delivering 2 billion liters of clean water every year.

* vs. 2010 baseline

Touching lives, improving life. P&G™

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