P&G

Designed to Grow... Sustainably

2007 Global Sustainability Report

EXECUTIVE SUMMARY

CEO Statement

October 2007 marks the 170th year P&G has been in business. We've sustained our Company's growth over such a long period of time by staying focused on P&G's Purpose: improving consumers' lives in small but meaningful ways every day.

Our commitment to Sustainable Development, which we define as "ensuring a better quality of life for everyone, now and for generations to come," is an important part of how we fulfill P&G's Purpose. We have a long heritage as a Sustainability leader, and we remain committed to improving consumers' lives through P&G brands and by contributing to the sustainability of our planet and the communities in which we live and work.

Over the past decade, we've made significant progress. We're helping to save energy and reduce greenhouse emissions through products such as Tide Cold Water and Ariel CoolClean that reduce energy use through cold-water washing. We're helping children in need through our *Live, Learn and Thrive* corporate cause. And we're providing clean, safe drinking water in developing countries and in times of natural disaster.

Now, as we look toward the next 170 years and more, we are designing Sustainability even more deeply into the way P&G does business: through our Purpose, products, operations and relationships.

- We are embedding Sustainability in our Company Purpose, which makes it explicit that we are focused on improving consumers' lives *"now and for generations to come."* In a Purpose-driven company like P&G, this addition is enormously important. It will provide inspiration and guide choices and actions throughout our Company.
- We are designing Sustainability even more deeply into our products, packaging and operations. Our focus is on providing products and services that don't require consumers to make choices between Sustainability and their needs for performance and value.
- We are leveraging our expertise and relationships to create new opportunities and new approaches. As a member of the Dow Jones Sustainability Index since its inception and as a partner with the world's leading retailers, NGOs and others, P&G can help bring tremendous resources to some of the toughest Sustainability challenges.

Sustainability is a business strategy at P&G. It is integrated into day-to-day business decisions. It is an important part of how P&G is designed to grow – now, and for generations to come.

A.G. Lafley
Chairman of the Board and
Chief Executive Officer

P&G's Purpose

Sustainable development is a very simple idea. It is about ensuring a better quality of life for everyone, now and for generations to come.[1] Sustainability and Philanthropy are fundamental to living the P&G Purpose of improving lives, day in and day out.

We have made two additions to P&G's Purpose, Values and Principles to ensure we are designed to be sustainable. We have embedded sustainability into our Purpose ("now and for generations to come") and added a new operating principle to incorporate sustainability into every aspect of our work.

Our Purpose

We will provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come.

As a result, consumers will reward us with leadership sales, profits and value creation, allowing our people, our shareholders and the communities in which we live and work to prosper.

Our Values

P&G Brands and P&G People are the foundation of P&G's success. P&G People bring the values to life as we focus on improving the lives of the world's consumers.

[1] Definition from UK government report from Department for the Environment, Transport and the Regions, 1998.

Our Principles

We Show Respect for All Individuals
- We believe that all individuals can and want to contribute to their fullest potential.
- We value differences.
- We inspire and enable people to achieve high expectations, standards and challenging goals.
- We are honest with people about their performance.

The Interests of the Company and the Individual are Inseparable
- We believe that doing what is right for the business with integrity will lead to mutual success for both the Company and the individual. Our quest for mutual success ties us together.
- We encourage stock ownership and ownership behavior.

We are Strategically Focused in Our Work
- We operate against clearly articulated and aligned objectives and strategies.
- We only do work and only ask for work that adds value to the business.
- We simplify, standardize and streamline our current work whenever possible.

Innovation is the Cornerstone of Our Success
- We place great value on big, new consumer innovations.
- We challenge convention and reinvent the way we do business to better win in the marketplace.

We are Externally Focused
- We develop superior understanding of consumers and their needs.
- We create and deliver products, packaging and concepts that build winning brand equities.
- We develop close, mutually productive relationships with our customers and our suppliers.
- We are good corporate citizens.
- We incorporate sustainability into our products, packaging and operations.

We Value Personal Mastery
- We believe it is the responsibility of all individuals to continually develop themselves and others.
- We encourage and expect outstanding technical mastery and executional excellence.

We Seek to be the Best
- We strive to be the best in all areas of strategic importance to the Company.
- We benchmark our performance rigorously versus the very best internally and externally.
- We learn from both our successes and our failures.

Mutual Interdependency is a Way of Life
- We work together with confidence and trust across business units, functions, categories and geographies.
- We take pride in results from reapplying others' ideas.
- We build superior relationships with all the parties who contribute to fulfilling our Corporate Purpose, including our customers, suppliers, universities and governments.

Vision

In addition to incorporating Sustainability into P&G's Purpose, Values and Principles, we are renewing the Company's Sustainability strategy and setting new five-year goals for our products, operations and programs.

1. We will build P&G's business through Sustainability innovations that delight consumers while improving the environmental profile of P&G products. By 2012, our goal is to generate at least $20 billion in cumulative sales of products with reduced environmental impact. These will be big ideas, like Tide Cold Water or compacted detergents, where the environmental benefits are significant and obvious.
2. We will continue to improve the environmental profile of P&G operations. Today, over 95% of materials that enter P&G plants leave as finished product. More than half of remaining materials are recycled. Over the next five years, we will reduce CO_2 emissions, energy and water consumption, and disposed waste per unit of production by an additional 10%, contributing to a 40% reduction for the decade.
3. We will continue to improve lives through P&G's social responsibility programs. Our corporate cause – *Live, Learn and Thrive* – is helping children in need from birth to age 13. Our goal is to reach 250 million children through this program by 2012. Our *Children's Safe Drinking Water* program has already delivered more than 700 million liters of clean water, and we are committed to deliver another two billion liters of clean water by 2012, preventing 80 million days of disease and saving 10,000 lives.
4. We will inspire and engage P&G employees to build Sustainability thinking and practices into their daily work. P&G's organization is widely recognized as one of the strongest organizations in business today. Encouraging and enabling 138,000 P&Gers worldwide to innovate and to make Sustainability an even bigger part of how we do business can have an enormous impact.
5. We will continue to work with external stakeholders to identify new needs and to create new opportunities and solutions for the world's Sustainability challenges. In particular, these stakeholders include thought-leading retailers and partners such as the Centers for Disease Control, UNICEF, the World Health Organization, Population Services International and others.

These new strategies and goals are designed to ensure P&G can continue to grow reliably and responsibly, just as we've done for the past 170 years. We are committed to becoming an even more sustainable company in a sustainable world.

Peter R. White
Director, Global Sustainability

P&G Profile

Three billion times a day, P&G brands touch the lives of people around the world. This happens because P&G provides branded products of superior quality and value to improve the lives of the world's consumers. This results in leadership sales, profits and value creation, allowing employees, shareholders and the communities in which we operate to prosper.

The Company markets more than 300 brands in nearly 130 countries. We have on-the-ground operations in more than 80 countries and employ 138,000 people. P&G's world headquarters is located in Cincinnati, Ohio, U.S.A.

To optimize resources to fit a growing global business and to accelerate innovation and growth, the Company operates through Global Business Units (GBUs):

- Beauty and Health
- Household Care
- Gillette GBU

P&G is a publicly owned company. Its stock is listed and traded on the New York and Paris exchanges.

As of June 30, 2007, there were approximately 2,220,000 common stock shareholders, including shareholders of record, participants in the Shareholder Investment Program, participants in P&G stock ownership plans and beneficial owners with accounts at banks and brokerage firms.

This is the ninth Sustainability Report for P&G's worldwide operations. Data covers July 1, 2006, through June 30, 2007. Financial information is given in U.S. dollars.

23 Billion-Dollar Brands ...

Financial Highlights

Amounts in millions except per-share amounts	2007	2006	2005
Net Sales	**$76,476**	$68,222	$56,741
Selling, General and Administrative Expenses	**24,340**	21,848	18,400
Income Taxes	**4,370**	3,729	3,058
Net Earnings	**10,340**	8,684	6,923
Basic Net Earnings Per Common Share	**3.22**	2.79	2.70
Diluted Net Earnings Per Common Share	**3.04**	2.64	2.53
Total Assets	**138,014**	135,695	61,527
Long-Term Debt	**23,375**	35,976	12,887
Shareholders' Equity	**66,760**	62,908	18,475

For more financial details, please see P&G's 2007 Annual Report: www.pg.com/investors/annualreports.jhtml

Global Key Brands

Of more than 300 brands, these 23 are the ones we consider key and have sales of more than a billion dollars each.

GBU	Reportable Segment	Key Products	Billion-Dollar Brands	Net Sales by GBU (1) (in billions)
BEAUTY AND HEALTH	Beauty	Cosmetics, Deodorants, Feminine Care, Fine Fragrances, Hair Care, Personal Cleansing, Skin Care	Always, Head & Shoulders, Olay, Pantene, Wella	**$31.9**
	Health Care	Oral Care, Personal Health Care, Pharmaceuticals	Actonel, Crest, Oral-B	
HOUSEHOLD CARE	Fabric Care and Home Care	Fabric Care, Air Care, Dish Care, Surface Care	Ariel, Dawn, Downy, Gain, Tide	**$36.2**
	Baby Care and Family Care	Diapers, Baby Wipes, Bath Tissue, Facial Tissue, Paper Towels	Bounty, Charmin, Pampers	
	Snacks, Coffee and Pet Care	Coffee, Pet Food, Snacks	Folgers, Iams, Pringles	
GILLETTE GBU	Blades and Razors	Men's and Women's Blades and Razors	Gillette, Mach3	**$ 9.3**
	Duracell and Braun	Batteries, Electric Razors, Small Appliances	Braun, Duracell	

(1) Partially offset by net sales in corporate to eliminate the sales of unconsolidated entities included in business unit results.
For the next year, the GBUs will be structured as: Beauty, Health and Well-Being, Household Care.

Strategies and Goals for 2012

Strategy 1 Improve through Products

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

Goal

- Develop and market at least $20 billion in cumulative sales of "sustainable innovation products," which are products with a significantly reduced (>10%) environmental footprint versus previous or alternative products.

Strategy 2 Improve through Production

Improve the environmental profile of P&G's own operations.

Goal

- Deliver an additional 10% reduction (per unit production) in CO_2 emissions, energy consumption, water consumption and disposed waste from P&G plants, leading to a total reduction over the decade of at least 40%.

Resource & Waste Summary

For the first time, we are reporting environmental statistics for the Technical Centers. Technical Centers are primarily sites that have small-scale pilot operations as well as Research & Development laboratories. They have been added in for all three years. Data also includes both Wella and Gillette sites.

	Totals (indexed to production)			2007 Global Business Unit Detail* (absolute units x 1000)			
	2007	2006	2005	**BH**	**HC**	**G**	**TC**
PRODUCTION (thousand metric tonnes)							
Product Shipped	**21,742**	20,660	18,802	**2,810**	**18,212**	**720**	**0**
Raw Materials from Recycled Sources	**79**	65	71	**0**	**79**	**0**	**0**
WASTE (tonnes/1,000 tonne of production)							
Generated Waste	**44.7**	43.2	47.1	**234**	**670**	**50**	**18**
Percent Recycled / Reused Waste	**55%**	59%	57%	**54%**	**56%**	**60%**	**20%**
DISPOSED WASTE (tonnes/1,000 tonnes of production)							
Solid Waste							
Non-Hazardous	**16.1**	14.8	16.2	**97.6**	**226.4**	**14.0**	**12.2**
Hazardous	**2.2**	1.0	1.4	**4.5**	**39.9**	**1.6**	**2.0**
Effluents (excluding water)	**1.0**	1.3	1.8	**5.5**	**11.5**	**4.1**	**0.4**
Air Emissions**	**0.77**	0.77	0.91	**0.8**	**15.5**	**0.4**	**0.1**
OTHER							
Energy Consumption (gigajoules/tonne)	**3.64**	3.78	4.13	**9,205**	**62,589**	**4,908**	**2,489**
Greenhouse Gas Emissions** (tonne/tonne)	**0.14**	0.14	0.17	**272**	**2,491**	**135**	**72**
Water Consumption (cubic meters/tonne)	**4.2**	4.4	5.0	**9,252**	**71,028**	**1,687**	**9,263**
SARA Releases*** (tonne/tonne)	**0.00008**	0.00010	0.00009	**0.210**	**1.061**	**0.396**	**0.058**

* **Beauty and Health (BH)** includes segments Beauty and Health Care.
Household Care (HC) includes segments Fabric Care and Home Care, Baby Care and Family Care, Pet Care, Snacks and Coffee.
Gillette GBU (G) includes segments Blades and Razors, Duracell and Braun.
Technical Centers (TC) includes each of the research centers that support the business units.

** Air emissions include particulates, SO_2, NOx, CO and VOC, whereas greenhouse gas emissions include CO_2 from fuel combustion sources.

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

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

Product Shipped numbers come from P&G manufacturing sites only, does not include production from contract manufacturing.

Strategy 3 Improve through Responsibility

Improve lives through P&G's social responsibility programs.

Goal

- Enable 250 million children to *Live, Learn and Thrive.*
- Prevent 80 million days of disease and save 10,000 lives by delivering 2 billion liters of clean water in our *Children's Safe Drinking Water* program.

Strategy 4 Improve through Employees

Engage and equip all P&Gers to build sustainability thinking and practices into their everyday work.

Occupational Health & Safety Data

Past three years' global data on two key metrics for worker health and safety:

TOTAL INCIDENT RATE

Injury and illness per 100 employees	2007	2006	2005
Total	**0.49**	0.54	0.48

TOTAL LOST WORKDAY CASE RATE

Lost and restricted workday cases per 100 employees	2007	2006	2005
Total	**0.26**	0.29	0.19

This information now includes Technical Centers

Summary of Fines and Violations

The table lists global data on environmental, transportation, and worker health and safety violations over the past three years.

	2007	2006	2005
Number	**37**	48	80
Fines	**$106,257**	$127,500	$147,400

Diversity Data

P&G continues to focus on diversity as a global strategy and expects its work force to become increasingly diverse. Global data on enrollment by gender is shown in the following table:

GLOBAL ENROLLMENT % FEMALE

	2007[2]	2006	2005
Management	**38.9**	39.3	38.0
All Other Employees[1]	**39.1**	39.0	38.4

The percentages of minority and female employees in the United States are shown in the following table:

U.S. ENROLLMENT

	2007[2]	2006	2005
% Minorities			
Management	**21.1**	21.0	19.6
All Other Employees[1]	**21.8**	18.6	18.7
% Female			
Management	**37.9**	37.3	36.3
All Other Employees[1]	**38.1**	39.5	39.6

[1] Administrative, Technical and Plant Technicians
[2] Includes first-time integration of all Gillette employees

Strategy 5 Improve through Stakeholders

Shape the future by working transparently with our stakeholders to enable continued freedom to innovate in a responsible way.

Delivering on Strategy

Braun Supports 'Green Grooming'

This year, Braun's entire line of men's electric shavers became the world's first shaver brand to receive the Energy Star qualification for its battery chargers.

Braun shaving systems feature Smart Plugs that use 64 percent less energy than standard shavers, resulting in reduction of 5,583 metric tonnes of CO_2 annually. This is equivalent to removing 1,073 cars from the road, planting 1,526 acres of forest or lighting 5,861 homes for a year.

The U.S. Environmental Protection Agency (EPA) created Energy Star labeling in 1992 as a way to clearly identify energy-efficient products. Energy Star-qualified products must adhere to strict guidelines created by the EPA and the U.S. Department of Energy.

The Future of Distribution?

One P&G project is focusing on how to design and construct sustainable manufacturing and distribution centers. Take the Amiens distribution center in France. It's about 600,000 square feet, able to store and handle up to 70,000 pallets of P&G products.

The Amiens distribution center incorporates the best thinking on sustainable design, from within P&G and outside. Examples of sustainable solutions adopted at the distribution center are:

- solar panels for hot water supply and photovoltaic cells for energy production
- wind turbine to produce up to 10 percent of the energy needed on site
- natural light usage, saving up to 30 percent energy
- energy-efficient lighting, daylight dimming and motion detection, saving up to 70 percent energy
- forklift trucks with regenerative motors, yielding energy savings up to 30 percent
- recyclable wall and roof cladding panels
- carpet with 80 percent recyclable yarn

Cool Clean Detergents Save Energy

In 2007, P&G launched Dash Cool Clean in Italy and Ariel Cool Clean in the UK, along with campaigns to help consumers change their energy consumption habits. The Cool Clean detergents encourage consumers to wash at lower temperatures and save energy, which still gives them brilliantly clean clothes.

In Italy, Dash launched under the name Impeccabile a Freddo (Impeccable in Cold). Dash studied the impact of this campaign in almost 400 participating Italian households. Using Dash Cool Clean did result in consumers' changing their habits. They reduced washing temperature, experiencing a significant energy saving – 10 percent on average, up to a maximum of 55 percent. But there is still reluctance to reduce washing temperature. This confirms the critical role of an effective campaign to educate consumers about the benefits of reducing washing temperature. For perspective, the energy-saving potential of washing at low temperatures in Italy could be as much as 1.5 billion kWh, equal to the energy consumption of households in Florence.

Children's Safe Drinking Water

P&G's PUR Purifier of Water presents astounding opportunities to improve and save lives in the developing world, where more than a billion people lack access to clean drinking water. Millions die, including about 2 million children.

PUR offers a quick, easy and affordable way to clean contaminated water. It kills viruses and bacteria that cause typhoid and cholera. It effectively reduces parasites, pesticides, heavy metals and other dangerous contaminants.

P&G brings PUR to families who most need it, either in case of emergencies (e.g., tsunami, earthquakes and refugee camps) or through sustained efforts in the developing world. Our main challenges regarding PUR are providing it where it's needed and ensuring its long-term use. To meet these challenges, P&G collaborates with public health organizations in the poorest parts of the world to make PUR available and teach people how to use it. One major partner is Population Services International (PSI), which markets health care products in developing countries on a nonprofit basis.

P&G Global Sustainability

Improving quality of life, now and for generations to come

Touching lives, improving life. P&G™

Design: RDG

On the Cover

While in Santiago, Chile, for meetings, 30 P&G Latin America general managers took time out to join a community improvement activity in the low-income neighborhood of La Pintana. They took part in installing a play center, building a sand box, planting an orchard and painting a fence. Sociedad Activa, the local chapter of United Way, is upgrading the playground, patronized by more than 140 children ages 2 through 5.

Contact
E-mail **sustainrep.im@pg.com**
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