P&G

Designed to Innovate… Sustainably

2008 Sustainability Full Report

Contents

CEO Statement 3
Leadership Statement 4
Sustainability Strategies and Goals for 2012 5
Sustainability Overview—Innovation 6
Defining Innovation 7
Investing in Innovation 9
Managing Innovation 11
Delivering Innovation 13
Leading Innovation 15
Sustainable Development 17
Over 50 Years of Sustainability Progress 18
P&G Profile 20
Introduction 21
Billion-Dollar Brands 22
Financial Information 24
Purpose, Values and Principles 26
Structure & Governance 28
Governance 34
Political Involvement 36
Strategies & Goals 37
Policies, Management Systems and Performance 38
Strategy 1—Products 39
Strategy 2—Operations 48
Strategy 3—Social Responsibility 59
Strategy 4—Employees 73
Strategy 5—Stakeholders 86
GRI Index 98

About this publication

At P&G, we view sustainability as a significant responsibility—and a continual source of opportunity. So from our products to our operations, we embed sustainability into everything we do.

Now in its tenth year, this publication describes how P&G innovates with a sustainability mindset, outlining the systems and processes we employ to help deliver sustainable outcomes. We provide an overview of our results from last year, along with progress against our 2012 strategies and goals.

Our online report, prepared using the Global Reporting Initiative's (GRI) G3 Guidelines, is available at **www.pg.com/sustainability.**

CEO Statement

Sustainable development is a very simple idea. It's about ensuring a better quality of life for everyone, now and for generations to come. This idea is at the heart of P&G's Purpose, which—for 171 years—has been focused on improving people's lives with branded products and services they use every day.

We fulfill P&G's Purpose by innovating. Innovation is P&G's lifeblood; we want to be the innovation leader in every business, product category and country where P&G competes. We bring tremendous innovation resources to every part of our business, and sustainability is no exception. Consumers have told us, for example, that they want to make more sustainable choices, but not at the risk of trading performance or value—especially in tough economic times. We see this as an inspiring business challenge and we believe P&G's unique approach to innovation enables us to meet consumer needs and achieve the Company's sustainability goals, year after year and over the long term.

We leverage this integrated approach to innovation by taking advantage of P&G's global scale and scope, which is unrivaled in our industry. The result is a steady stream of product, operational and organizational innovations that enable P&G to win with consumers and retail customers—while improving our sustainability profile at the same time. And, we do so consistently, reliably, successfully, and responsibly.

In the pages that follow, you'll see how P&G is on track to achieve our five-year sustainability goals introduced last year. We're encouraged by this performance, but we know it's the long term that matters most and we will continue to hold ourselves accountable for business and sustainability results over the near, mid and long term. I'm confident we can meet or exceed our goals because P&G is designed to innovate—and to grow—sustainably . . . now, and for generations to come.

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

P&G REPORT CARD: 2012 SUSTAINABILITY GOALS

This is the first year we have reported results for these goals.

Strategy 1: 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.(1)

PROGRESS (in billions of U.S. dollars)	Cumulative Sales since July 2007
Cumulative sales of sustainable innovation products	**$2.05**

Strategy 2: 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%.

PROGRESS (percent reduction per unit production)	Since July 2007	Since July 2002
Energy Usage	**-6%**	-46%
CO_2 Emissions	**-8%**	-52%
Waste Disposal	**-21%**	-50%
Water Usage	**-7%**	-51%

Strategy 3: Social Responsibility

GOAL Enable 250 million children to Live, Learn and Thrive.(2) 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.(3)

PROGRESS	Since July 2007
LIVE, LEARN AND THRIVE	
Number of Children Reached	**60 million**
CHILDREN'S SAFE DRINKING WATER	
Liters of Clean Water Delivered	**430 million**
Days of Disease Prevented	**18 million**
Lives Saved	**2,442**

(1) Sustainable Innovation Products are included if they have launched in market since July 1, 2007, and have a significant (>10%) reduction in environmental footprint that is achieved through innovation impacting 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 ages 0–13.

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

Innovating sustainably: Where responsibility meets opportunity

Leadership Statement

Last year, P&G established five strategies to improve the environmental profile of the Company's products and operations and to expand our Live, Learn and Thrive social responsibility program. A year into this renewed commitment, we're on track to meet or exceed our goals, and to integrate sustainability into P&G's day-to-day business.

1. Products. We want to delight consumers with sustainable innovations that improve the environmental profile of our products. Our goal is $20 billion in cumulative sales of these products over five years. We generated more than $2 billion in sales in our first year by launching seven sustainable innovations in fiscal 2008, including the compaction of liquid laundry detergents—an innovation we rolled out across P&G's line of North America laundry brands. We are confident we can meet this 2012 goal based on our current plans and pipeline.

2. Operations. We want to improve the environmental profile of P&G's operations worldwide. Our goal is to deliver an additional 10% reduction (per unit of production) in energy and water use, CO_2 emissions, and waste disposal by 2012, which will complete a decade-long reduction of at least 40% in these areas. We're making significant progress against this goal. For example, we're building sustainability-inspired manufacturing sites in North America, Europe, and China. We're also improving existing facilities, such as our manufacturing plant in Mehoopany, Pennsylvania, where a heat recovery system is now reclaiming enough energy to power almost 12,000 U.S. households annually. Company-wide, we've reduced energy by 6%, reduced CO_2 emissions by 8%, reduced waste disposal by 21%, and reduced water usage by 7% this past year.

3. Social Responsibility. We want to improve lives through P&G's global social responsibility program, Live, Learn and Thrive. This year we opened our 140th P&G Hope School in China, helping children in poverty-stricken rural areas gain access to elementary education. We also delivered our one-billionth liter of clean drinking water through our Children's Safe Drinking Water program, leveraging PŪR sachets. Additionally, Pampers partnered with UNICEF to provide funds for more than 50 million doses of vaccine to help prevent maternal and neonatal tetanus in the developing world. Dozens of Live, Learn and Thrive programs like these enabled P&G to reach more than 60 million children globally this year.

4. Employees. We want to engage and equip every P&G employee to build sustainability thinking and practices into their everyday work. We've challenged one another to "Take the 'R' (Responsibility) for Tomorrow," a unified employee program that is combining and expanding successful pilot projects from around the world. We celebrated Earth Day and World Water Day at dozens of P&G locations globally. We launched a Sustainability Ambassador Network for P&Gers who want to be more active as sustainability leaders. We've helped reduce travel by investing in state-of-the-art video collaboration studios.

5. Stakeholders. We want to help shape the future—now and for generations to come—by collaborating with local, regional, and global stakeholders. For example, we're an active part of the Clinton Global Initiative (CGI) and have stepped up our social responsibility commitments in each of the three years we've partnered with CGI, to help millions of children globally Live, Learn and Thrive. In the UK, we have worked with WRAP (Waste & Resources Action Programme) to deliver innovation that enables packaging reductions without compromising packaging integrity. And we're working with the Energy Saving Trust in Europe to encourage people to wash clothes in colder temperatures. We firmly believe we can make a bigger difference together with partners like these than any of us can make on our own.

Throughout P&G's history, we've focused on doing what's right and our approach to sustainability is fully consistent with this basic Company principle. We are accountable for delivering our goals year to year, and committed to improving P&G's sustainability results consistently and reliably over the long term. To learn more, please see our online report, prepared using the Global Reporting Initiative's (GRI) G3 Guidelines, at **www.pg.com/sustainability**.

Susan Arnold
President,
Global Business Units
Executive Sponsor,
Sustainability

Len Sauers
Vice President,
Global Sustainability

Sustainability Strategies and Goals for 2012:

Strategy 1: 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.

PROGRESS: $2.05 billion

Strategy 2: Operations

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

GOAL: Deliver an additional 10% reduction (per unit of 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%.

PROGRESS: Reductions since July 2007:
Energy Usage -6%, CO_2 Emissions -8%,
Waste Disposal -21%, Water Usage -7%.

Reductions since July 2002:
Energy Usage -46%, CO_2 Emissions -52%,
Waste Disposal -50%, Water Usage -51%.

Strategy 3: Social Responsibility

Improve children's 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.

PROGRESS: 60 million children reached;
430 million liters of clean water delivered;
18 million days of disease prevented;
2,442 lives saved.

Strategy 4: Employees

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

Strategy 5: Stakeholders

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

Sustainability Overview—Innovation

In order to improve the lives of the world's consumers—now and for generations to come—P&G is designed to innovate sustainably.

We **define** innovation broadly, looking for sustainability opportunities at every touch-point along the path of our products.

We **invest** in innovation to reduce the environmental footprint of our operations, affecting both our facilities and our processes.

We **manage** innovation with discipline, using science-based tools to identify sustainability opportunities for our products, from discovery through disposal to potential reuse.

We **deliver** innovation through a combination of visible product-based improvements and less visible operations-based advancements.

We **lead** innovation by inspiring our employees to take personal responsibility for delivering our sustainability goals and leading positive change, both inside and outside the Company.

DEFINING
INNOVATION

We define innovation broadly, looking for sustainability opportunities at every touch-point along the path of our products.

Two innovations, multiple benefits
Laundry compaction

P&G seeks opportunities to innovate within every aspect of a product, from raw materials, manufacturing, customization and logistics to customers and consumers. Because of our integration and scale, innovations in one part of the cycle often spark innovations in other areas.

In 2007, we began to convert our North American liquid laundry detergent portfolio to a "2X" concentrated formulation. The following is an example of our multifaceted approach in action.

Product Concentration

Through scientific innovation, we developed a new formula that delivers more active ingredients in every drop, allowing consumers to use less.

One advance sparked many benefits.

The new formulas save more than 500 million liters a year.

The new products reduce CO_2 emissions by more than 100,000 metric tons a year.

These smaller products save more than 15,000 metric tons a year in packaging materials.

The new size results in more than 40,000 fewer truck loads a year.

Inventory Efficiencies

Using new forecasting techniques, we managed the product inventory conversion at retail stores with a new level of precision to reduce waste.

Precise prediction

New modeling tools allowed us to better predict when retail customers would require new stock and manage the supply chain accordingly.

Remnant runout

This left very little old stock to manage through remnant sale and donations; unsalable product was managed down to an unprecedented low level.

Waste reduction

Accurate forecasting meant that virtually all the product we created was sold, resulting in a substantial reduction in unnecessary waste.

Today, we apply these tools and techniques to other significant product conversions.

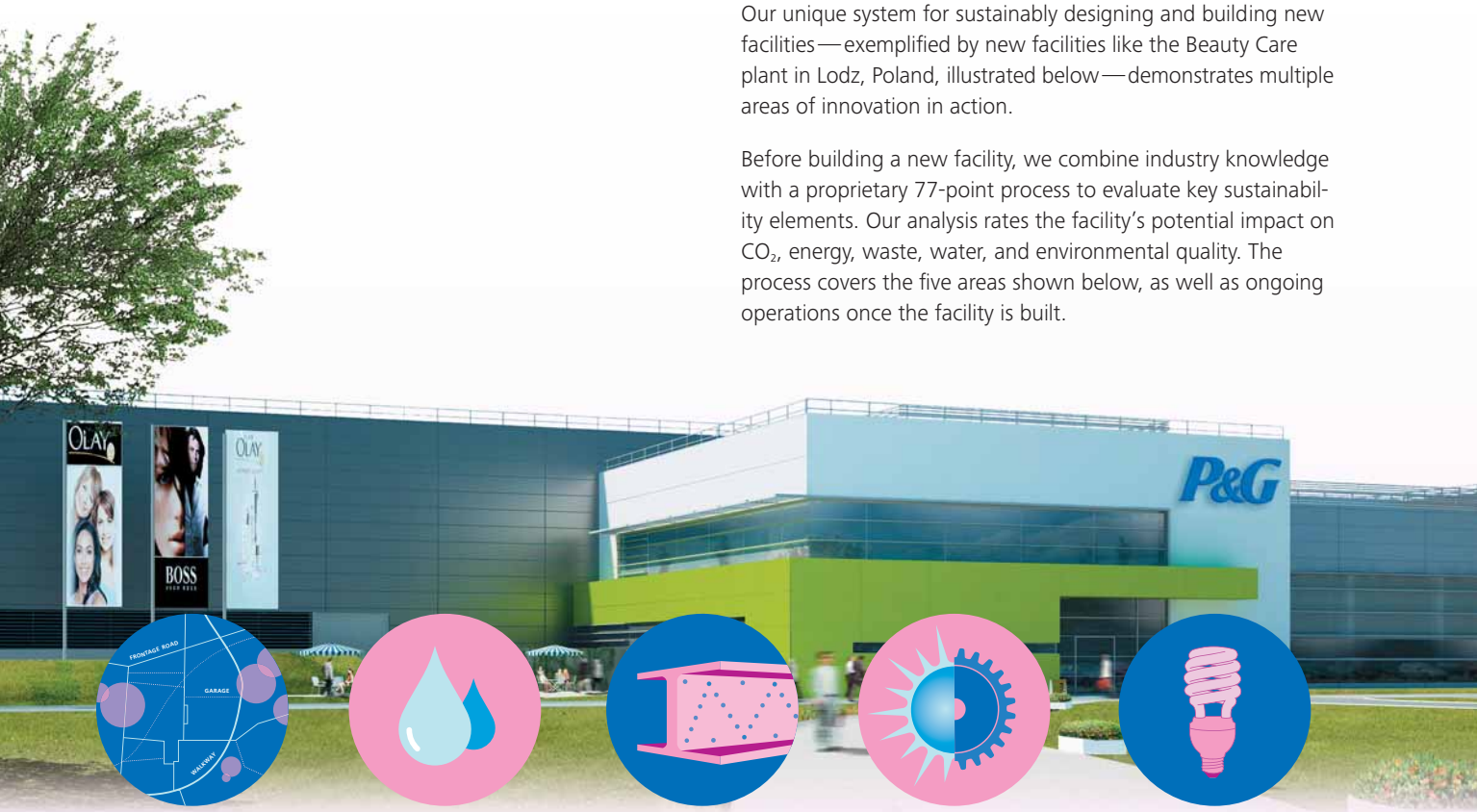
INVESTING
IN INNOVATION

We invest in innovation to reduce the environmental footprint of our operations, affecting both our facilities and our processes.

Innovating from the ground up
Building sustainable facilities

Our unique system for sustainably designing and building new facilities—exemplified by new facilities like the Beauty Care plant in Lodz, Poland, illustrated below—demonstrates multiple areas of innovation in action.

Before building a new facility, we combine industry knowledge with a proprietary 77-point process to evaluate key sustainability elements. Our analysis rates the facility's potential impact on CO_2, energy, waste, water, and environmental quality. The process covers the five areas shown below, as well as ongoing operations once the facility is built.



Site

In choosing a facility's location, we investigate commuting options, local ecosystems, and ways to use energy efficiently.

Water

We make as few man-made changes as possible to a site's hydrological cycle, often building ponds that collect storm water and lessen discharge flow to local streams.

Materials

We select building materials that minimize environmental impact while maximizing workplace comfort and health. Whenever possible, debris from construction is recycled rather than sent to landfill.

Systems

Our facilities incorporate passive systems when feasible, helping maximize natural elements for ventilation and temperature control. When active systems are required, we favor high-efficiency equipment.

Lighting

Along with designing our facilities to make use of natural light, we use low-consumption lighting equipment whenever possible.

Manufacturing efficiently from the top down

Putting resources to good use

P&G's investment in innovation goes far beyond our facilities. It also extends to our highly productive use of material resources.

Upfront, we find ways to minimize our inputs, using less raw material for packaging while consuming energy more efficiently. But our output is dramatic as well, with 96% of all materials being converted into finished product.

The waste that is produced—which is mostly non-hazardous—is low. And much of it can be repurposed in useful ways.

Examples of recycled waste use:

Perfume: the sweet smell of re-use

At our manufacturing site for perfume in Avenel, New Jersey, we developed a new process for blending scrap material for reprocessing as an ingredient for potpourri. As a result, annual generation of scrap waste at the site has dropped from 50,000 kg to zero.

Paper: a by-product raises the roof

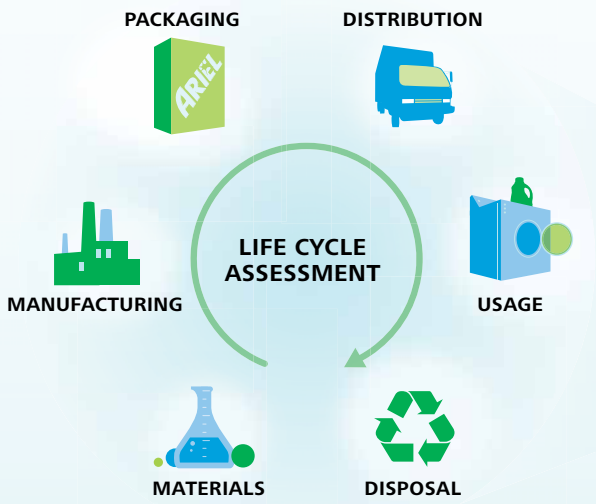
In some P&G tissue and towel plants, the paper "fines"—a wet by-product of the paper making process—are reclaimed for energy to run the plant. The fines are also used to manufacture housing and roofing tiles.

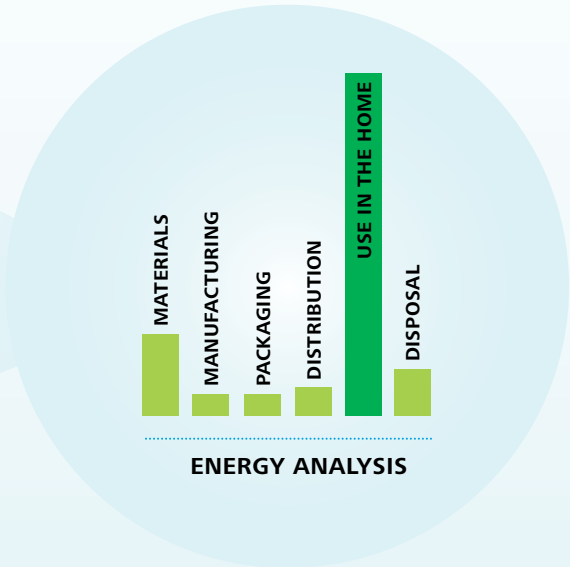
Soap: a second chance for suds

Bubbly wastewater from our shampoo and liquid soap plants has found new life in a secondary market. Today, instead of becoming waste, the mixture is sold and repackaged for use in automatic car washes.

MANAGING
INNOVATION

We manage innovation with discipline, using science-based tools to identify sustainability opportunities for our products, from discovery through disposal to potential reuse.





▶ Assessing impact
Comprehensive tools

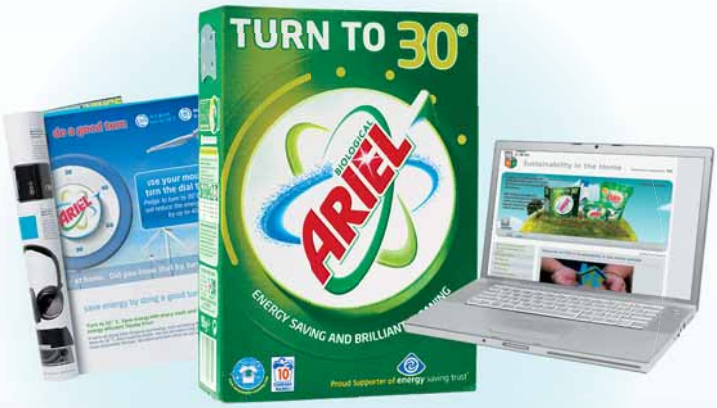
Managing innovation sustainably begins with the use of comprehensive analysis tools. One such tool, Life Cycle Assessment (LCA), generates a complete environmental footprint, extending beyond carbon impact to measure total energy and water use and waste production. Also included are the impacts of consumer use of our products, as well as all emissions into the air, water and land. This detailed review lets us pinpoint areas where our innovation efforts can be most effective.

▶ Finding opportunity
Laundry energy usage

Our life cycle assessment of laundry detergent revealed that one step consumed far more energy than any other: the heating of wash water during its use in the home. As such, this step clearly offered the biggest opportunity for energy reduction.

Field tests predicted that a family of four in the UK could reduce its overall household electricity consumption by 3% by reducing its wash temperature from 43.5°C to 30°C. So our Ariel Cool Clean technology—which offers strong cleaning performance at lower temperatures—presented a promising opportunity for energy savings.

AWARENESS



Advertising

Web-based education

Third party organizations

▶ Moving the market
Consumer campaign

Our "Turn to 30°" campaign in the UK began spreading the word to consumers. Along with key product benefits, including energy savings and brilliant cleaning, the campaign emphasized another motivation: supporting the environment in a more sustainable way. P&G further managed this innovation through partnerships with celebrities, key NGOs, region-specific climate and energy-focused third parties, and a Web-based consumer education module.

RESULTS

58,000
metric tons CO_2 emissions saved

17%
of households now wash at 30°C

▶ Making a difference
Results and recognition

Managing innovation has resulted in significant behavior change among consumers. In the UK, 17% of households now wash at 30°C, up from 2% in a similar 2002 survey. Further, 27% of all UK Ariel users washed at 30°C in 2007, twice the average of other leading brands.

The shift toward lower washing temperatures has brought substantial benefits to the environment. According to statistics calculated and validated by The Energy Saving Trust, 58,000 metric tons of CO_2 emissions have been prevented, saving 403,200 GJ of energy—enough energy to light 2,500 UK villages.

Results in the Netherlands have been even more impressive. In just over six months since launch—and when leveraged with the Dutch Ariel "Draai Naar 30°" campaign—for the first time, 30°C is the most frequently used washing temperature in the Netherlands…an impressive 52%!

Along with getting results, "Turn to 30°" has also garnered widespread recognition for excellence in responsible marketing and leading-edge thinking. The campaign has been honored by such organizations as the Marketing Society, Business in the Community, the Green Awards, SABRE, and Marketing Communications Consultants Association (MCCA).

DELIVERING
INNOVATION

We deliver innovation through a combination of visible product-based improvements and less visible operations-based advancements.

We are inspired by consumers to deliver product upgrades that improve their lives, maintain the value they want, and help them to reduce their environmental impact. Charmin MegaRoll and Bounty Select-a-Size are just two examples of many innovations these brands have made that make a difference in these areas. But, other innovations take place beyond a consumer's view, such as improvements in our manufacturing processes, facilities, and logistics.

Visible improvements Sustainable solutions to consumer needs

Many innovations that are visible to consumers are also inspired by them. Bounty consumers sought a paper towel for small tasks that still required superior wet strength. Our solution, Bounty Select-a-Size, features sheets that are 45% smaller than traditional Bounty—but still absorb spills faster and are stronger when wet than other regular-sized two-ply towels on the market. So thanks to Bounty Select-a-Size, consumers have an option for producing less waste.

When Charmin bath tissue consumers expressed a desire to change the roll less often, we created Charmin MegaRoll, which features four times as many sheets per roll than a regular roll of Charmin. Along with meeting consumer needs, the product requires the use and disposal of fewer cardboard cores. In addition, the space-efficient product allows more tissue to fit on a truck, saving on fuel consumption and CO_2 emissions associated with transportation.

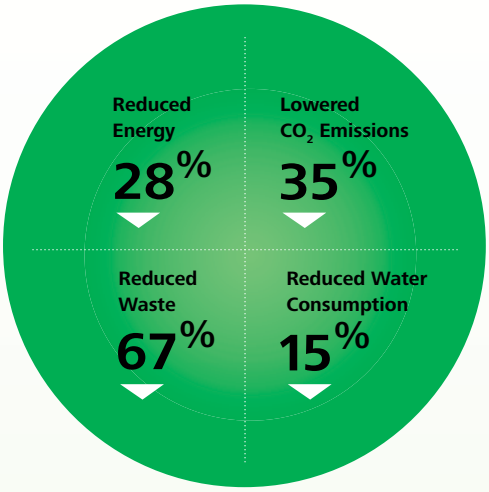
1,000,000
consumers switching from a regular roll to Charmin MegaRoll can save:

140
Million Cores Per Year

226,000
Kg of Plastic Per Year

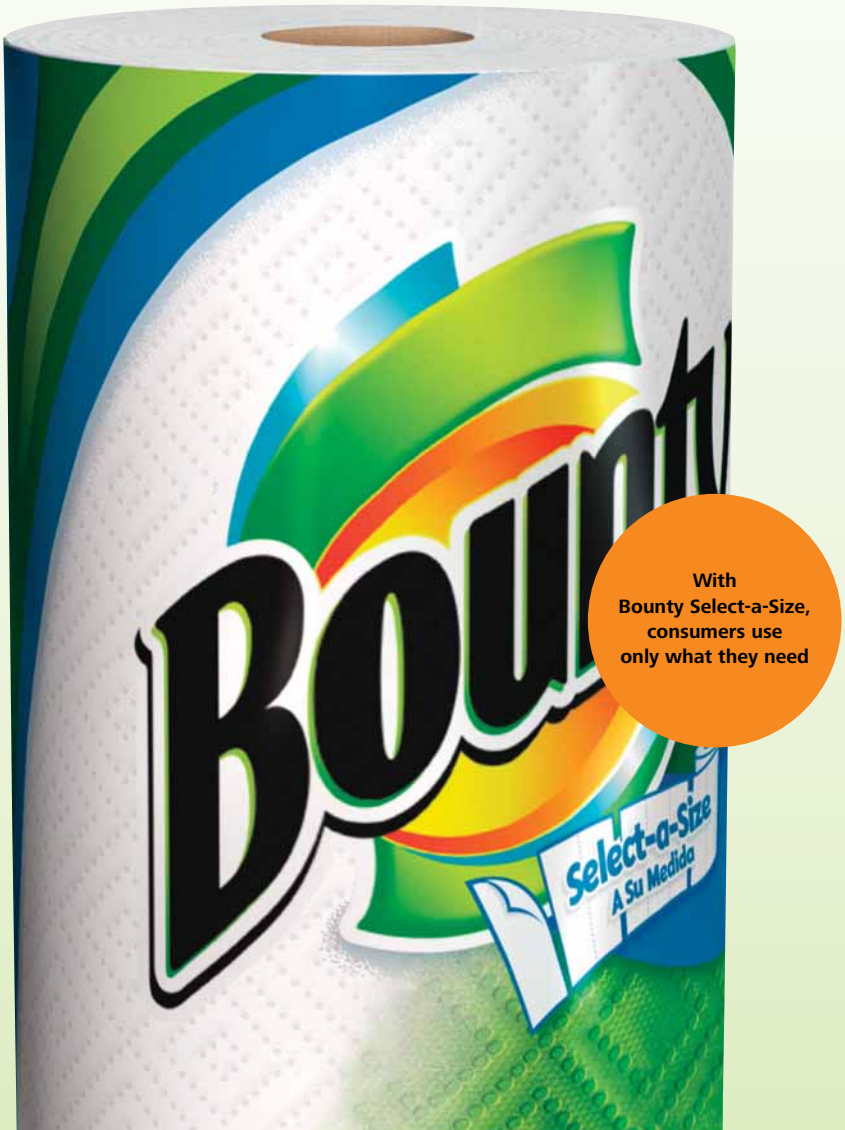
321,000
Liters of Fuel Per Year

In Family Care over the past five years, our North American plants have:



Invisible advances
Energy and water efficiencies for a smaller footprint

Looking forward, we are continuing our conservation efforts within existing facilities. There are thousands of projects under way to identify innovative ways to conserve energy and water, and reduce emissions.



With Bounty Select-a-Size, consumers use only what they need

Much of the energy used in papermaking is needed to dry the paper. Heat in the form of steam and combustion gases can be lost during this drying process. At our Mehoopany, Pennsylvania facility, a proprietary process was developed that enables the plant to recover this heat and save 422,000 GJ of energy and 13,600 metric tons of CO_2 emissions per year. In comparison, the energy that will be saved by this project is greater than the site energy consumption at 80% of our facilities around the world.

LEADING
INNOVATION

We lead innovation by inspiring our employees to take personal responsibility for delivering our sustainability goals and leading positive change, both inside and outside the Company.

Making workplace habits more sustainable P&Gers take the "R" for tomorrow

P&G employees in 26 countries celebrated Earth Day in April, kicking off additional efforts to reduce, reuse and recycle at our offices and technical centers. By building innovative, dramatic displays showing the true amount of paper, cups and water bottles we use each month, employees were motivated to make changes.

In just a few months following these events, P&G employees have begun to "Take the 'R' (Responsibility) for Tomorrow" by adopting smarter workplace habits. Some highlights from the Cincinnati World Headquarters:

Reduce

We have installed new cutting-edge videoconferencing equipment, helping reduce air travel.

Reuse

Employees are encouraged to use personal mugs, and now receive a beverage discount for using them instead of disposable cups.

Recycle

We have significantly increased our recycling of office paper.

Live, Learn and Thrive

Our social investments are focused on improving the lives of children in need through Live, Learn and Thrive, our far-reaching global cause. Leveraging the scale of our Company and the passionate, skilled volunteerism of our employees, we are on track to reach more than 250 million children by 2012.

A long-term commitment to education access P&G Hope Schools

Thanks to P&G Hope Schools, a program in partnership with the China Youth Development Foundation, children now have better access to education in poverty-stricken rural areas of China. P&G China continued its long-term commitment to the program this year, founding its 140th P&G Hope School.

To help drive this Live, Learn and Thrive initiative, P&G created innovative partnerships with retail customers. This has enabled these retailers—along with more than 100 million shoppers annually—to participate in the cause and make significant commitments to build Hope Schools with P&G.

P&G Hope Schools have benefitted over 100,000 children across China in the last 12 years, and over 1,000 P&G China employees are actively enrolled to support program activities.

Teaching healthy habits Safeguard helps make hand washing fun & effective

Studies show that proper hand washing is one of the simplest and most cost-effective ways to help keep children healthy. Safeguard and its health partners in the Philippines set out on a Live, Learn and Thrive effort known as "Mission 5-5-5"—to teach 5 children every hour for the next 5 years about hand washing with soap to protect against 5 common health threats: diarrhea, cough, colds, pneumonia, and skin rashes. Similar programs are also run in China, Pakistan and other developing nations, educating nearly 10 million primary school children each year on the necessity of hand washing and good hygiene practices.

Children's Safe Drinking Water

Answering a pressing need P&G technology and a network of partners

More than one billion people in the developing world do not have access to clean drinking water. As a result, thousands of children die every day.

Children's Safe Drinking Water (CSDW) reaches these people through PŪR, a water purifying technology developed by P&G and the U.S. Centers for Disease Control and Prevention (CDC). One small PŪR packet quickly turns 10 liters of dirty, potentially deadly water into clean, drinkable water. The packets can be used anywhere in the world, including areas affected by natural disaster.

This Live, Learn and Thrive program provides PŪR packets on a not-for-profit basis. This year, with the help of our network of over 70 partners, we delivered our one-billionth liter of clean drinking water.

Protecting vulnerable babies Pampers and UNICEF provide vaccines

Pampers has partnered with UNICEF on a Live, Learn and Thrive effort with a goal to help eliminate maternal and neonatal tetanus, a preventable disease that claims the lives of 140,000 infants and 30,000 mothers in developing countries each year—that's one death every three minutes. This international initiative began two years ago in Latin America and has expanded to Western Europe, Japan and the U.S., providing funds for more than 50 million doses of vaccine.

Consumers are an integral part of the success of this program. For each purchase of specially marked packages of Pampers, P&G donated a vaccine to UNICEF. Recently, Pampers committed to a three-year global partnership between Pampers and UNICEF to help eliminate maternal and neonatal tetanus in 46 remaining countries by 2012.

Sustainable Development

Sustainable development is a simple idea — ensuring a better quality of life for everyone, now and for generations to come.[1]

P&G embraces sustainable development as a potential business opportunity, as well as a corporate responsibility. Through our activities we contribute to the economic and social well-being of a range of stakeholders, including employees, shareholders, communities in which we operate, and more widely, to regional, national and international development. In summary, P&G contributes to sustainable development through both what we do and how we do it.

"What we do" is provide branded products and services of superior quality and value that improve the lives of the world's consumers via health, hygiene or convenience.

"How we do it" includes addressing any environmental and socioeconomic issues associated with our products and services. Our Principles, Values and Statement of Purpose, which are central to P&G's organization, act as guidance for the development of our entire organizational structure, all over the world. They are the basis for an integrated set of management systems and policies applied across the whole Company.

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

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

Over 50 Years of Sustainability Progress:

P&G has been values-based since its founding in 1837. The timeline illustrated below highlights sustainability progress over the last six decades.

1950s

1952
P&G establishes the Procter & Gamble Fund for the distribution of money to U.S. charities

1956
The first environmental safety publication is created at P&G measuring surfactants in rivers

1960s

1964
The P&G Environmental Water Quality Laboratory is established

1964
Switch to biodegradable anionic surfactant LAS begins

1965
P&G publishes its tenth environmental safety paper to support new biodegradability test methods

1969
Instream biological monitoring program begins

1970s

1970
P&G implements its first manufacturing plant environmental audit

1971
P&G Safety and Regulatory is established as a separate entity from product development

1971
The P&G Corporate Environmental Safety Department is formed

1973
Publication of the "Sturm Test," the forerunner of the Ready Biodegradability Test

1977
P&G Environmental safety organization formed in Europe (Brussels)

1980s

1981
P&G co-founds the Society of Environmental Toxicology and Chemistry

1983
P&G produces its 100th peer-reviewed environmental publication

1983
Debut of Triple Concentrate Downy, one of P&G's first products to reduce packaging and water use

3x

1987
P&G environmental stream facility begins operation

1989
P&G commits $20 million to assist the development of U.S. compost infrastructure

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1990s

1990
P&G articulates its Company-wide environmental quality policy

1991
P&G helps define new field of Life Cycle Assessment

1992
P&G moves to elemental chlorine-free pulp for all of the Company's paper products

1992
United Nations World Environment Center Gold Medal recipient

1993
P&G commits to sustainable forestry for sourcing pulp

1993
The first P&G Annual Global Environmental Report is produced

1995
P&G pioneers use of Life Cycle Assessment to design Municipal Solid Waste Management

1997
P&G develops Japan's first environmental exposure model for consumer products

1997
Developed the Geo-referenced Regional Exposure Assessment tool for European rivers

1999
P&G's 500th peer-reviewed environmental publication is produced

1999
P&G forms a corporate sustainability department and publishes an annual sustainability report

2000s

2000
P&G ranked as a Sector Leader in Dow Jones Sustainability Indexes (DJSI)

2001
FTSE4Good launched; P&G listed every year since inception

2002
Science in-the-Box Public Web site launched

2003
Led the development of guidelines for flushable products published by The Water Environment Research Foundation (WERF)

2004
P&G creates the Children's Safe Drinking Water program, using the unique PŪR purification sachets

2005
Tide Coldwater and Ariel Cool Clean are introduced, promoting low-temperature washing

2005
Downy Single Rinse introduced, offering water savings in critical regions

2005
P&G awarded Stockholm Industry Water Prize for providing safe drinking water

2005
P&G introduces its global corporate cause—Live, Learn and Thrive

2006
P&G is National Inventor of the Year for the design and development of PŪR purification sachets

2007
P&G launches its new Sustainability Strategy and five-year goals

2007
2X compacted liquid detergents debut in the U.S.

2007
P&G recognized by EPA for Children's Safe Drinking Water program

2007
P&G awarded the Ron Brown Award for Corporate Leadership

2008
EPA awards P&G's Cincinnati corporate headquarters with the Energy Star Certification

2008
P&G receives the European Business Award honoring commitment to corporate sustainability

2008
OECD adopts P&G's laboratory biodegradation test series

2008
P&G delivers the billionth liter of clean water in its Children's Safe Drinking Water program

P&G Profile

Introduction
Billion-Dollar Brands
Financial Information
Purpose, Values and Principles
Structure & Governance

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, profit, and value creation, allowing employees, shareholders and the communities in which we operate to prosper.

P&G's world headquarters is located in Cincinnati, Ohio, U.S.A. The company has one of the strongest portfolios of trusted, quality, leadership brands, including Pampers,® Tide,® Ariel,® Always,® Whisper,® Pantene,® MACH3,® Bounty,® Dawn,® Gain,® Pringles,® Folgers,® Charmin,® Downy,® Lenor,® Iams,® Crest,® Oral-B,® Actonel,® Duracell,® Olay,® Head & Shoulders,® Wella,® Gillette,® Braun,® and Fusion.® The P&G community includes approximately 138,000 employees working in over 80 countries worldwide.

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

This is the 10th Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 2007, through June 30, 2008. Financial information is given in U.S. dollars.

For more information on P&G's investor relations, please visit our website at: **www.pg.com/investors/sectionmain.jhtml**

Please visit **www.pg.com** for the latest news and in-depth information about P&G and its brands.

P&G markets more than

300

brands in more than 180 countries.

Billion-Dollar Brands

P&G's 44 largest brands—**24 that generate over $1 billion in annual sales and 20 with sales between $500 million and $1 billion**—are global platforms for innovation. They enable us to commercialize innovation faster, more effectively and more efficiently than would be possible on smaller, less successful brands.

Global Key Brands

Of more than 300 brands, these 24 are the ones we consider key and have sales of more than a billion dollars each.

Global Beauty & Grooming **Global Household Care** **Global Health & Well-Being**

GBU	Reportable Segment	Key Products	Billion Dollar Brands	Net Sales by GBU[1] (in billions)
BEAUTY	Beauty	Cosmetics, Deodorants, Hair Care, Personal Cleansing, Prestige Fragrances, Skin Care	Head & Shoulders, Olay, Pantene, Wella	**$27.8**
	Grooming	Blades and Razors, Electric Hair Removal Devices, Face and Shave Products, Home Appliances	Braun, Fusion, Gillette, MACH3	
HEALTH AND WELL-BEING	Health Care	Feminine Care, Oral Care, Personal Health Care, Pharmaceuticals	Actonel, Always, Crest, Oral-B	**$19.4**
	Snacks, Coffee and Pet Care	Coffee, Pet Food, Snacks	Folgers, Iams, Pringles	
HOUSEHOLD CARE	Fabric Care and Home Care	Air Care, Batteries, Dish Care, Fabric Care, Surface Care	Ariel, Dawn, Downy, Duracell, Gain, Tide	**$37.7**
	Baby Care and Family Care	Baby Wipes, Bath Tissue, Diapers, Facial Tissue, Paper Towels	Bounty, Charmin, Pampers	

(1) Partially offset by net sales in corporate to eliminate the sales of unconsolidated entities included in business unit results.

Billion-Dollar Brands

P&G has 24 brands with annual sales of a billion dollars or more.

In alphabetical order:

Actonel
A prescription medication to treat and prevent postmenopausal osteoporosis.

Always/Whisper
Women around the world count on Always and Whisper feminine protection.

Ariel
Fabric cleaning and care at its best.

Bounty
Spills happen. With the Quilted Quicker Picker-Upper paper towel, cleanup is easy.

Braun Electric Razor
Keeping millions of men well-shaved and well-groomed.

Charmin
America's favorite bathroom tissue.

Crest
Oral care products creating beautiful, healthy smiles every day.

Dawn
No matter what your dishwashing need, Dawn has a product that's right for you.

Downy/Lenor
Laundry feels soft and smells fresh because of Downy and Lenor.

Duracell
You can depend on powerful, long-lasting Duracell batteries.

Folgers
Millions of Americans wake up with Folgers coffee every day.

Gain
Laundry detergent that delights scent-seekers.

Gillette
The best a man can get.

Gillette Fusion Razor
First five-blade shaving system with unique trimmer blade, setting a new standard for shaving closeness and comfort.

Gillette MACH3 Razor
Battery-powered shaving. Push the button, feel the power.

Head & Shoulders
Smooth, beautiful, flake-free hair. It's not what you'd expect in a dandruff shampoo. Head & Shoulders has 12 customized formulas—one just for you.

Iams
Nutrition for every life stage and lifestyle of your pet.

Olay
Designed for women of all ages to "love the skin they're in."

Oral-B
Dental hygiene products used by dentists themselves.

Pampers
Millions of babies experience the comfort and dryness of Pampers diapers.

Pantene
Hair around the world shines because of Pantene hair care products.

Pringles
Once you "pop," the fun doesn't stop!

Tide
Tough cleaning power that gets out laundry stains.

Wella
Hair care products used in salons and at home.

Financial Information

P&G has grown sales from $39 billion to $83 billion in the past seven years.

We've more than doubled the number of brands that generate $1 billion or more in annual sales and more than quadrupled the number of brands that generate at least $500 million.

The Company reported net earnings of $12.1 billion for the fiscal year ended June 30, 2008, an increase of 17 percent compared to $10.3 billion in 2007.

Diluted net earnings per share were $3.64 in 2008, compared to $3.04 in 2007.

Net sales were $83.5 billion in 2008, up 9 percent from last year.

Our first discretionary use of cash is dividend payments. Common share dividends grew 13 percent to $1.45 per share in 2008, representing the 52nd consecutive fiscal year of increased common share dividends. Total dividend payments, to both common and preferred shareholders, were $4.7 billion, $4.2 billion and $3.7 billion in fiscal 2008, 2007 and 2006, respectively.

For more financial details, please see P&G's 2008 Annual Report:
www.pg.com/investors/annualreports.jhtml

Financial Highlights

Amounts in millions, except per share amounts	2008	2007	2006
Net Sales	**$ 83,503**	$ 76,476	$ 68,222
Selling, General and Administrative Expenses	**25,725**	24,340	21,848
Income Taxes	**4,003**	4,370	3,729
Net Earnings	**12,075**	10,340	8,684
Basic Net Earnings Per Common Share	**3.86**	3.22	2.79
Diluted Net Earnings Per Common Share	**3.64**	3.04	2.64
Total Assets	**143,992**	138,014	135,695
Long-Term Debt	**23,581**	23,375	35,976
Shareholder's Equity	**69,494**	66,760	62,908

As part of P&G's initiative to optimize resources to fit a growing global business and to accelerate innovation and growth, the Company operates its business through Global Business Units (GBUs), as described under Organizational Structure.

This organizational structure accounts for why P&G does not provide employee data, sales or profits by individual countries. Some countries may provide this data in reports other than this one.

GBU	Reportable Segment	% of Net Sales*	% of Net Earnings*	Key Products	Billion-Dollar Brands
BEAUTY	Beauty	23%	22%	Cosmetics, Deodorants, Hair Care, Personal Cleansing, Prestige Fragrances, Skin Care	Head & Shoulders, Olay, Pantene, Wella
	Grooming	10%	13%	Blades and Razors, Electric Hair Removal Devices, Face and Shave Products, Home Appliances	Braun, Fusion, Gillette, MACH3
HEALTH AND WELL-BEING	Health Care	17%	20%	Feminine Care, Oral Care, Personal Health Care, Pharmaceuticals	Actonel, Always, Crest, Oral-B
	Snacks, Coffee and Pet Care	6%	4%	Coffee, Pet Food, Snacks	Folgers, Iams, Pringles
HOUSEHOLD CARE	Fabric Care and Home Care	28%	27%	Air Care, Batteries, Dish Care, Fabric Care, Surface Care	Ariel, Dawn, Downy, Duracell, Gain, Tide
	Baby Care and Family Care	16%	14%	Baby Wipes, Bath Tissue, Diapers, Facial Tissue, Paper Towels	Bounty, Charmin, Pampers

* Percent of net sales and net earnings for the year ended June 30, 2008 (excluding results held in Corporate).

Major Acquisitions and Divestitures

Acquisitions used $381 million of cash in 2008, primarily for the acquisition of Frederic Fekkai, a premium hair care brand, in Beauty.

Proceeds from Asset Sales

Proceeds from asset sales were $928 million in 2008, primarily behind the sale of our Western Europe family care business, as well as several minor Beauty and Health Care divestitures.

Global Purchases

P&G is a global company. We produce brands in more than 140 plants in over 40 countries around the world. This year, P&G purchased more than $43.5 billion in materials and services to manufacture and market our products. We employ locally and purchase the majority of our raw materials within those regions where we manufacture our products. Our purchasing professionals understand and participate in both global and local markets to acquire the materials and services to make our products.

Shareholders

As of June 30, 2008, there were approximately 2,231,000 common stock shareowners, 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.

Contact

Shareholder Services representatives are available
Monday–Friday, 9–4 EST at 1-800-742-6253
(1-513-983-3034 outside the U.S.A. and Canada)

Write to:

The Procter & Gamble Company
Shareholder Services Department
P.O. Box 5572
Cincinnati, Ohio, U.S.A. 45201-5572

For more information:

- Please visit **www.pg.com/investors/sectionmain.jhtml**
- E-mail us at shareholders.im@pg.com
- Call for financial information at 1-800-764-7483 (1-513-945-9990 outside the U.S.A. and Canada)

P&G's Purpose, Values and Principles

Our Purpose, Values and Principles guide everything we do, all over the world. Our people bring them to life. **Our Success Drivers define what makes our people succeed.**

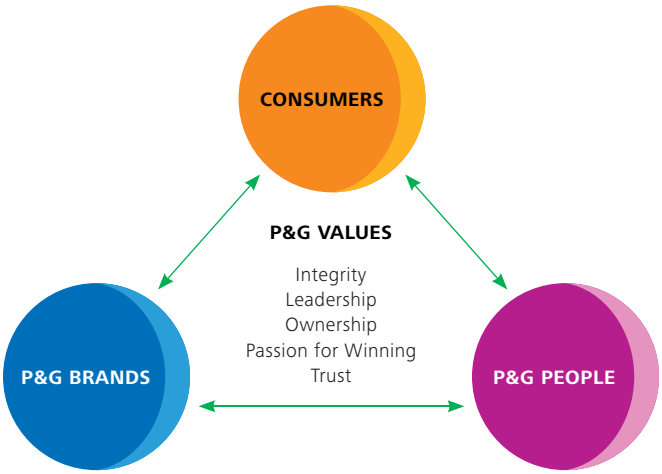
Our Purpose

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, profit and value creation, allowing our people, our shareholders, and the communities in which we live and work to prosper.

Our Values

P&G is its people and the values by which we live. We attract and recruit the finest people in the world. We build our organization from within, promoting and rewarding people without regard to any difference unrelated to performance. We act on the conviction that the men and women of Procter & Gamble will always be our most important asset.



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.

Integrity

- We always try to do the right thing.
- We are honest and straightforward with each other.
- We operate within the letter and spirit of the law.
- We uphold the values and principles of P&G in every action and decision.
- We are data-based and intellectually honest in advocating proposals, including recognizing risks.

Leadership

- We are all leaders in our area of responsibility, with a deep commitment to deliver leadership results.
- We have a clear vision of where we are going.
- We focus our resources to achieve leadership objectives and strategies.
- We develop the capability to deliver our strategies and eliminate organizational barriers.

Ownership

- We accept personal accountability to meet the business needs, improve our systems and help others improve their effectiveness.
- We all act like owners, treating the Company's assets as our own and behaving with the Company's long-term success in mind.

Passion for Winning

- We are determined to be the best at doing what matters most.
- We have a healthy dissatisfaction with the status quo.
- We have a compelling desire to improve and to win in the marketplace.

Trust

- We respect our P&G colleagues, customers and consumers, and treat them as we want to be treated.
- We have confidence in each other's capabilities and intentions.
- We believe that people work best when there is a foundation of trust.

Our Principles

These are the Principles and supporting behaviors, which flow from our Purpose and Values.

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

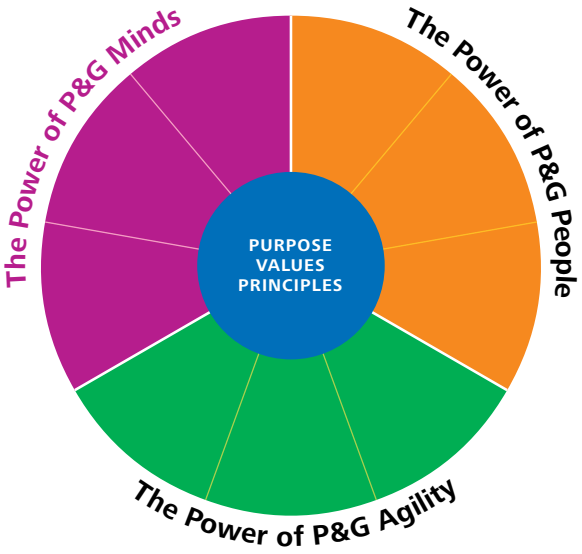
- We strive to be the best in all areas of strategic importance to the Company.
- We benchmark our performance rigorously versus the very best internally and externally.
- We learn from both our successes and our failures.

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.

To read more on sustainable development guidelines for business conduct based on P&G's PVP, download this brochure: **www.pg.com/company/who_we_are/ppv.shtml**

SUCCESS DRIVERS



Structure and Governance

We have an organizational structure composed of **three Global Business Units (GBUs) and a Global Operations group.** The Global Operations group consists of the Market Development Organizations (MDOs) and Global Business Services (GBS).

Organizational Structure

Our organizational structure is comprised of three Global Business Units (GBUs) and a Global Operations group. The Global Operations group consists of the Market Development Organization (MDO) and Global Business Services (GBS).

Global Business Units

Our three GBUs are Beauty, Health and Well-Being, and Household Care. The primary responsibility of the GBUs is to develop the overall strategy for our brands. They identify common consumer needs, develop new product innovations and upgrades, and build our brands through effective commercial innovations, marketing and sales.

Global Operations

Market Development Organization

Our MDO is responsible for developing go-to-market plans at the local level. The MDO includes dedicated retail customer, trade channel and country-specific teams. It is organized along seven geographic regions: North America, Western Europe, Northeast Asia, Central & Eastern Europe/Middle East/Africa, Latin America, ASEAN/Australia/India and Greater China. We define developing markets as the aggregate of Central & Eastern Europe/Middle East/Africa, Latin America, ASEAN/Australia/India and Greater China. Developed markets are comprised of North America, Western Europe and Northeast Asia.

Global Business Services

GBS provides technology, processes and standard data tools to enable the GBUs and the MDO to better understand the business and better serve consumers and customers. The GBS organization is responsible for providing world-class solutions at a low cost and with minimal capital investment.

The Three GBUs Operate in the Seven MDOs

Global Business Units (GBUs)

- Business Strategy and Planning
- Brand Innovation and Design
- New Business Development
- Full Profit Responsibility
- *Beauty*
  - *Beauty*
  - *Grooming*
- *Health and Well-Being*
  - *Health Care*
  - *Snacks, Coffee and Pet Care*
- *Household Care*
  - *Fabric Care and Home Care*
  - *Baby Care and Family Care*

Market Development Organizations (MDOs)

- Market Strategy
- Customer Development
- External Relations
- Recruiting

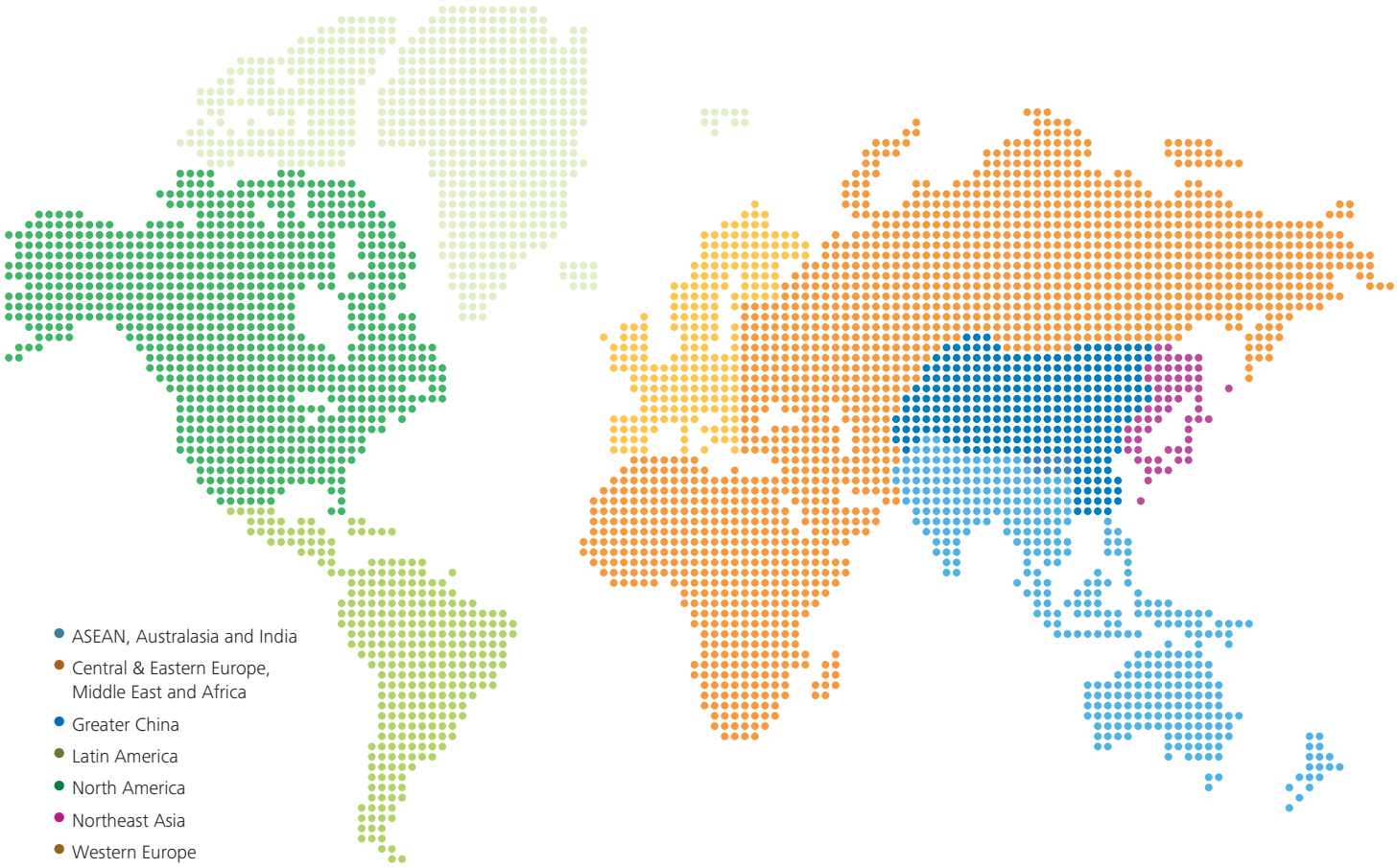
Corporate Functions

- Cutting-Edge Knowledge
- Transfer Best Practices
- Function Work Supporting P&G Corporation

Global Business Services

Key Business Practices

- Accounting
- Info and Technology Services
- Order Management
- Employee Benefits & Payroll



Plant Locations

Country	City	Plant Name	GBU Owner	Org Category Owner
Argentina	Pilar	Pilar	Fabric & Home Care	Fabric Care
Argentina	Villa Mercedes	Villa Mercedes	Baby Care	Baby Care
Australia	Somersby	Somersby (Wella)	Beauty Care	Hair Care
Belgium	Aarschot	Aarschot (Gillette)	Gillette	Duracell
Belgium	Mechelen	Mechelen	Fabric & Home Care	Fabric Care
Brazil	Louveira	Louveira	Feminine Care	Feminine Care
Brazil	Manaus	Manaus (Gillette)	Gillette	Blades & Razors
Brazil	São Paulo	Anchieta	Fabric & Home Care	Fabric Care
Canada	Belleville	Belleville	Feminine Care	Feminine Care
Canada	Brockville	Brockville	Fabric & Home Care	Home Care
Chile	Santiago	Santiago	Baby Care	Baby Care
China	Beijing	Beijing	Fabric & Home Care	Fabric Care
China	Chengdu	Chengdu	Fabric & Home Care	Fabric Care
China	Dong Guan	Dong Guan (Gillette)	Gillette	Duracell
China	Guangzhou	Huangpu	Beauty Care	Hair Care
China	Minhang	Minhang (Gillette)	Gillette	Braun
China	Shanghai	Shanghai (Gillette)	Gillette	Blades & Razors
China	Tianjin	Tianjin	Beauty Care	Personal Beauty Care
China	Tianjin	Tianjin (Wella)	Beauty Care	Hair Care
China	Tianjin	Xiqing	Beauty Care	Hair Care
Colombia	Medellin	Medellin	Fabric & Home Care	Fabric Care
Czech Republic	Rakovnik	Rakona	Fabric & Home Care	Fabric Care
Egypt	Cairo	Cairo	Fabric & Home Care	Fabric Care
France	Amiens	Amiens	Fabric & Home Care	Fabric Care
France	Blois	Blois	Beauty Care	Hair Care
France	Poissy	Poissy (Wella)	Beauty Care	Personal Beauty Care
France	Sarreguemines	Sarreguemines (Wella)	Beauty Care	Hair Care
Germany	Berlin	Berlin (Gillette)	Gillette	Blades & Razors
Germany	Cologne	Cologne (Wella)	Beauty Care	Personal Beauty Care
Germany	Crailsheim	Crailsheim	Feminine Care	Feminine Care
Germany	Euskirchen	Euskirchen	Baby Care	Baby Care
Germany	Gross-Gerau	Gross-Gerau	Health Care	Oral Care
Germany	Hünfeld	Huenfeld (Wella)	Beauty Care	Hair Care
Germany	Kronberg	Kronberg (Gillette)	Gillette	Braun
Germany	Marktheidenfeld	Marktheidenfeld (Gillette)	Gillette	Oral Care
Germany	Rothenkirchen	Rothenkirchen (Wella)	Beauty Care	Hair Care
Germany	Walldürn	Wallduern (Gillette)	Gillette	Braun
Germany	Weiterstadt	Weiterstadt	Health Care	Pharmaceuticals
Germany	Worms	Worms	Fabric & Home Care	Home Care
Guatemala	Escuintla	Escuintla	Fabric & Home Care	Fabric Care
Hungary	Csomor	Budapest	Feminine Care	Feminine Care
India	Bhiwadi	Bhiwadi (Gillette)	Gillette	Blades & Razors
India	Bhopal	Mandideep	Fabric & Home Care	Fabric Care
India	District Solan	Baddi	Fabric & Home Care	Fabric Care
India	Goa	Goa	Feminine Care	Feminine Care
Ireland	Carlow	Carlow (Gillette)	Gillette	Braun
Ireland	Nenagh	Nenagh	Beauty Care	Personal Beauty Care
Ireland	Newbridge	Newbridge (Gillette)	Oral Care	Oral Care
Italy	Campochiaro	Campochiaro	Fabric & Home Care	Fabric Care
Italy	Gattatico	Gattatico	Fabric & Home Care	Home Care
Italy	Pescara	Pescara	Feminine Care	Feminine Care
Italy	Rome	Pomezia	Fabric & Home Care	Fabric Care
Japan	Akashi	Akashi	Baby Care	Baby Care
Japan	Ibaraki	Ibaraki (Wella)	Beauty Care	Hair Care
Japan	Shiga	Shiga	Beauty Care	Personal Beauty Care
Japan	Takasaki	Takasaki	Fabric & Home Care	Fabric Care
Korea	Ch'onan	Chonan	Feminine Care	Feminine Care
Malaysia	Kuantan	Kuantan	Fabric & Home Care	Fabric Care

Plant Locations (continued)

Country	City	Plant Name	GBU Owner	Org Category Owner
Mexico	Apaseo El Grande	Mariscala	Beauty Care	Hair Care
Mexico	Apizaco	Apizaco	Family Care	Family Care
Mexico	Mexico City	Talisman	Beauty Care	Personal Beauty Care
Mexico	Mexico City	Vallejo	Fabric & Home Care	Fabric Care
Mexico	Mexico City	Naucalpan	Health Care	Personal Health Care
Mexico	Naucalpan	Naucalli (Gillette)	Gillette	Blades & Razors
Mexico	Naucalpan	Alce Blanco (Gillette)	Health Care	Oral Care
Mexico	Tepeji	Tepeji	Baby Care	Baby Care
Morocco	Casablanca	Casablanca	Fabric & Home Care	Fabric Care
Morocco	Mohammedia	Mohammedia	Fabric & Home Care	Fabric Care
Netherlands	Coevorden	Coevorden	Health Care	Pet Care
Nigeria	Ibadan	Ibadan	Fabric & Home Care	Fabric Care
Pakistan	Hub	Hub	Beauty Care	Personal Beauty Care
Peru	Lima	Materiales	Fabric & Home Care	Fabric Care
Philippines	Cabuyao	Cabuyao	Fabric & Home Care	Fabric Care
Poland	Lodz	Lodz (Gillette)	Gillette	Blades & Razors
Poland	Warsaw	Targowek	Baby Care	Baby Care
Portugal	Guifões	Porto	Fabric & Home Care	Fabric Care
Puerto Rico	Cayey	Cayey	Beauty Care	Personal Beauty Care
Puerto Rico	Manati	Manati	Health Care	Pharmaceuticals
Romania	Timisoara	Timisoara	Fabric & Home Care	Fabric Care
Russia	Dzerzhinsk	Dzerzhinsk (Wella)	Beauty Care	Hair Care
Russia	Novomoskovsk	Novomoskovsk	Fabric & Home Care	Fabric Care
Russia	St. Petersburg	St. Petersburg (Gillette)	Gillette	Blades & Razors
Saudi Arabia	Dammam	Dammam	Fabric & Home Care	Fabric Care
Saudi Arabia	Jeddah	Jeddah	Baby Care	Baby Care
Singapore	Singapore	Pioneer Perfume	Home Care	Home Care
South Africa	Epping	Epping (Wella)	Beauty Care	Hair Care
South Africa	Johannesburg	Johannesburg	Beauty Care	Personal Beauty Care
Spain	Jijona	Jijona	Baby Care	Baby Care
Spain	Mataró	Mataro	Fabric & Home Care	Fabric Care
Spain	Mequinenza	Mequinenza	Baby Care	Baby Care
Spain	Montornès del Vallès	Montornes	Feminine Care	Feminine Care
Thailand	Bangkok	Bangkok	Beauty Care	Hair Care
Thailand	Samut Prakan	Bangkok (Wella)	Beauty Care	Hair Care
Turkey	Gebze	Gebze	Fabric & Home Care	Fabric Care
Ukraine	Borispol	Borispol	Feminine Care	Feminine Care
Ukraine	Ordzhonikidze	Ordzhonikidze	Fabric & Home Care	Fabric Care
United Kingdom	London	London	Fabric & Home Care	Home Care
United Kingdom	Manchester	Manchester	Family Care	Family Care
United Kingdom	Reading	Reading (Gillette)	Beauty Care	Personal Beauty Care
United Kingdom	Whitley Bay	Seaton Delaval	Beauty Care	Personal Beauty Care
United Kingdom	Wrexham	Wrexham (Gillette)	Gillette	Duracell
United States	Albany	Albany	Family Care	Family Care
United States	Andover	Andover (Gillette)	Beauty Care	Personal Beauty Care
United States	Auburn	Auburn	Feminine Care	Feminine Care
United States	Augusta	Augusta	Fabric & Home Care	Fabric Care
United States	Aurora	Aurora	Health Care	Pet Care
United States	Avenel	Avenel	Fabric & Home Care	Home Care
United States	Boston	Boston (Gillette)	Gillette	Blades & Razors
United States	Cape Girardeau	Cape Girardeau	Baby Care	Baby Care
United States	Cincinnati	Cincinnati	Fabric & Home Care	Fabric Care
United States	Cleveland	Cleveland (Gillette)	Gillette	Duracell
United States	Cockeysville	Hunt Valley	Beauty Care	Personal Beauty Care
United States	Dover	Dover	Baby Care	Baby Care
United States	Green Bay	Green Bay	Family Care	Family Care
United States	Greensboro	Greensboro	Health Care	Oral Care
United States	Henderson	Henderson	Health Care	Pet Care

Plant Locations (continued)

Country	City	Plant Name	GBU Owner	Org Category Owner
United States	Iowa City	Iowa City	Beauty Care	Hair Care
United States	Iowa City	Iowa City (Gillette)	Health Care	Oral Care
United States	Jackson	Jackson	Snacks & Coffee	Snacks
United States	Kansas City	Kansas City F&HC	Fabric & Home Care	Home Care
United States	Kansas City	Kansas City Coffee	Snacks & Coffee	Coffee
United States	LaGrange	LaGrange (Gillette)	Gillette	Duracell
United States	Lancaster	Lancaster (Gillette)	Gillette	Duracell
United States	Leipsic	Leipsic	Health Care	Pet Care
United States	Lewisburg	Lewisburg	Health Care	Pet Care
United States	Lima	Lima	Fabric & Home Care	Fabric Care
United States	Mehoopany	Mehoopany	Family Care	Family Care
United States	New Orleans	New Orleans	Snacks & Coffee	Coffee
United States	North Chicago	North Chicago (Gillette)	Beauty Care	Personal Beauty Care
United States	Oxnard	Oxnard	Family Care	Family Care
United States	Phoenix	Phoenix	Health Care	Personal Health Care
United States	Pineville	Alexandria	Fabric & Home Care	Fabric Care
United States	Russellville	Russellville	Health Care	Pet Care
United States	Sacramento	Sacramento	Fabric & Home Care	Fabric Care
United States	Sherman	Sherman	Snacks & Coffee	Coffee
United States	St. Louis	St. Louis	Fabric & Home Care	Home Care
United States	Stamford	Stamford	Beauty Care	Hair Care
Venezuela	Barquisimeto	Barquisimeto	Fabric & Home Care	Fabric Care
Venezuela	Guatire, Miranda	Guatire	Baby Care	Baby Care
Vietnam	Binh Duong	Binh Duong	Fabric & Home Care	Fabric Care

Manufacturing Outsourcing

P&G has more than 140 manufacturing facilities in over 40 countries. These facilities handle the majority of P&G's production.

To ensure that our products are affordable, our manufacturing facilities must provide the best value for the Company. We conduct regular reviews to ensure that our facilities are highly competitive, and this process includes benchmarking versus third-party manufacturers.

When it makes sense for the business and is the most competitive solution, we use contract manufacturers. For example, sometimes we use them when entering a new market, before we determine whether we'll invest in building our own facility there, or when we are introducing a new product, so we can determine production needs prior to investing in new capacity at a P&G facility. Sometimes we use third-party manufacturers on a longer-term, ongoing basis because it is the most cost-effective solution for the business.

The percentage of P&G production supplied by contract manufacturers varies according to the needs of the business and the ability of P&G facilities to compete and win production based on providing the best value. Currently, we rely on third-party manufacturers for about 10 to 15 percent of our total manufacturing volume.

Governance

The objective of our governance structure is to **maintain corporate governance principles, policies and practices** that support management and Board of Directors accountability. These are in the best interest of the Company and our shareholders, and they are consistent with the Company's Purpose, Values and Principles. We believe that good governance practices contribute to better results for shareholders. **Everything we do is done with our commitment to "doing the right thing" in mind.**

Corporate Governance and Management's Responsibility
P&G has a strong history of doing what's right. Our employees embrace our Purpose, Values and Principles. If you analyze what has made our Company successful over the years, you may focus on our brands, our marketing strategies, our organizational design, and our ability to innovate. But if you really want to get at what drives our Company's success, the place to look is at our people. Our people are deeply committed to our Purpose, Values and Principles. It is this commitment to doing what's right that unites us.

This commitment to doing what's right is embodied in our financial reporting. High-quality financial reporting is our responsibility—one we execute with integrity and within both the letter and spirit of the law.

High-quality financial reporting is characterized by accuracy, objectivity and transparency. Management is responsible for maintaining an effective system of internal controls over financial reporting to deliver those characteristics in all material respects. The Board of Directors, through its Audit Committee, provides oversight. They have engaged Deloitte & Touche LLP to audit our consolidated financial statements, on which they have issued an unqualified opinion.

Our commitment to providing timely, accurate and understandable information to investors encompasses:

Communicating Expectations to Employees

Every employee—from senior management on down—is trained on the Company's Worldwide Business Conduct Manual, which sets forth the Company's commitment to conduct its business affairs with high ethical standards. Every employee is held personally accountable for compliance and is provided several means of reporting any concerns about violations.

The Worldwide Business Conduct Manual is available on our website at **www.pg.com/company**

Maintaining a Strong Internal Control Environment

Our system of internal controls includes written policies and procedures, segregation of duties, and the careful selection and development of employees. The system is designed to provide reasonable assurance that transactions are executed as authorized and appropriately recorded, that assets are safeguarded, and that accounting records are sufficiently reliable to permit the preparation of financial statements conforming in all material respects with accounting principles generally accepted in the United States. We monitor these internal controls through control self-assessments by business unit management. In addition to performing financial and compliance audits around the world, including unannounced audits, our Global Internal Audit organization provides training and continuously improves internal control processes. Appropriate actions are taken by management to correct any identified control deficiencies.

Executing Financial Stewardship

We maintain specific programs and activities to ensure that employees understand their fiduciary responsibilities to shareholders. This ongoing effort encompasses financial discipline in our strategic and daily business decisions, and brings particular focus to maintaining accurate financial reporting and effective controls through process improvement, skill development and oversight.

Exerting Rigorous Oversight of the Business

We continuously review our business results and strategic choices. Our Global Leadership Council is actively involved—from understanding strategies to reviewing key initiatives, financial performance and control assessments. The intent is to ensure that we remain objective, identify potential issues, continuously challenge each other and ensure that recognition and rewards are appropriately aligned with results.

Engaging Our Disclosure Committee

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed is recorded, processed, summarized and reported accurately and in timely fashion. Our Disclosure Committee is a group of senior-level executives responsible for evaluating disclosure implications of significant business activities and events. The Committee reports its findings to the CEO and CFO, providing an effective process to evaluate our external disclosure obligations.

Encouraging Strong and Effective Corporate Governance from Our Board of Directors

We have an active, capable and diligent Board that meets the required standards for independence, and we welcome the Board's oversight. Our Audit Committee comprises independent financial directors with significant knowledge and experience. We review significant accounting policies, financial reporting and internal control matters with them, and encourage their independent discussions with external auditors.

Our corporate governance guidelines, independence guidelines and charters for all Board committees are available at our website at **www.pg.com/company/our_commitment/corp_gov**

Governance Structure

We believe that good governance practices contribute to better results for shareholders. Our objective is to maintain corporate governance principles, policies and practices that support management and Board of Directors accountability. These are in the best interest of the Company and our shareholders, and they are consistent with the Company's Purpose, Values and Principles.

Governance starts with the Board of Directors, which has general oversight responsibility for the Company's affairs pursuant to Ohio's General Corporation Law, the Company's Amended Articles of Incorporation and Code of Regulations, and the Board of Directors' By Laws. In exercising its fiduciary duties, the Board of Directors represents and acts on behalf of the Company's shareholders. Although the Board of Directors does not have responsibility for the day-to-day management of the Company, it stays informed about the Company's business and provides guidance to Company management through periodic meetings, site visits and other interactions. The Board is deeply involved in the Company's strategic planning process, leadership development and succession planning. Additional details concerning the role and structure of the Board of Directors are contained in the Board's Corporate Governance Guidelines, which can be found in the corporate governance section of the Company's website at **www.pg.com/investors.**

Additionally, the Board has adopted guidelines for determining the independence of its members. As of June 30, 2008, approximately 83 percent of our directors qualified as being independent from the Company.

The Board has approved a code of conduct, outlined in our Worldwide Business Conduct Manual. This code applies to all directors, officers and employees and is designed to help ensure compliance with all applicable laws and Company policies, including those related to sustainable development. Shareholders may communicate with the Board of Directors and submit shareholder proposals as described in the Company's proxy statement.

Executive Compensation

The Compensation & Leadership Development Committee has established the following principles for compensating all Company employees:

- Support the business strategy
- Pay for performance
- Pay competitively

These overall principles have served the Company well and enabled us to deliver strong shareholder value over time—including compound average shareholder returns above the Dow Jones Industrial Average for the past one, three, five and ten year periods. The Committee and the Board of Directors are charged with the consistent and fair application of these principles. Over time, we believe this has helped to develop and retain talented employees who are committed to the Company's success.

Additionally, we expect executives to uphold the fundamental principles in the Company's Statement of Purpose, Values and Principles, in addition to the Worldwide Business Conduct Manual, the Sustainability Report, and the Environmental Quality Policy. These principles include integrity, maximizing the development of each individual, developing a diverse organization, and continually improving the environmental quality of the Company's products and operations. In upholding these principles, executives not only contribute to their own success but also help ensure the prosperity of P&G's business, employees, shareholders and the communities in which the Company operates.

Political Involvement

P&G's political involvement is an important means of building and protecting our business.

Guided by our Purpose, Values & Principles, P&G participates in the political process to help shape public policy and legislation that has a direct impact on the Company. This engagement is an important means of building and protecting our global business, and ensures that the interests of our employees, consumers and shareholders are fairly represented at all levels of government around the world. We are committed to being transparent about our political involvement globally and are providing additional detail in response to requests from external stakeholders.

P&G's public policy and legislative priorities are reviewed annually with senior business leaders as well as with the Governance and Public Responsibility Committee of the Board of Directors.

Lobbying Activity

P&G's Global Government Relations team (P&G GGR) represents the Company's point of view in Washington, DC, in U.S. state capitols and in key country capitols around the world. Working with the businesses, P&G GGR focuses on legislative and public policy issues that impact the Company's bottom line and long-term business interests. Where permitted by law, P&G GGR: engages and educates policy makers and key stakeholders on issues that impact our business; facilitates the exchange of information between key decision-makers and public policy organizations in the U.S. and abroad; leads Company actions on policy matters both unilaterally and in industry coalitions and associations.

P&G complies with all U.S. federal and state laws, including the Lobbying Disclosure Act and Honest Leadership and Open Government Act that require reporting on lobbying activities and certification of compliance with Congressional gift rules. P&G reported U.S. lobbying expenditures of $1.97 million in the lobbying disclosure reports filed with the Clerk of the U.S. House of Representatives and the Secretary of the U.S. Senate for the 2007 calendar year. Beginning in 2008, P&G will report lobbying activity in the European Union under new voluntary guidelines issued by the EU Commission.

In 2007, P&G spent over $9.9 million in dues to associations in the U.S. with annual dues of $25,000 or more, of which $1.7 million, roughly 17 percent, was identified by 42 associations as funds spent on lobbying and political activities. A listing of P&G's U.S. associations and percentage of dues attributable to political activities can be found at **www.pg.com/political_activities**.

U.S. Corporate Political Activity

P&G engages in the political process by providing financial support to state ballot initiatives and issue advocacy campaigns that have a direct impact on the business. P&G's involvement in these campaigns is overseen by a multi-functional team comprised of representatives from Global Government Relations, Legal, Human Resources, Corporate Communications and other functions related to the specific issue under consideration. The team makes recommendations to the Global External Relations Officer for approval, or for further review and approval by the President, Chief Operating Officer, and Chairman & CEO as appropriate. As with all other aspects of our political involvement, our participation in such efforts is guided by our Purpose, Values and Principles and by our business strategies, and is fully reported in accordance with governing laws. In 2007, P&G gave $101,500 in contributions to state ballot initiatives and other issue advocacy campaigns that had a direct impact on the business. A listing of these initiatives can be found at **www.pg.com/political_activities**.

P&G Political Action Committee (P&G PAC)

The P&G PAC is a voluntary, nonpartisan political action committee. Registered as the P&G Good Government Committee with the U.S. Federal Election Commission (FEC) and appropriate state offices, the PAC allows P&G employees to pool personal, voluntary financial contributions to support candidates at the federal, state and local level, who support issues important to the business and the quality of life in the communities in which we live and work.

P&G PAC operations are transparent and compliant with all applicable laws. It is governed by a set of bylaws and supervised by a diverse board of Company senior managers, U.S. Government Relations personnel, and Legal counsel.

Support of candidates is based on their support of P&G issues and sustained constituent relationships. The PAC generally does not contribute to Presidential candidates, national political parties, trade and industry association or leadership PACs, or multiple candidates running in the same race. In 2007, the P&G PAC contributed $238,105 to candidates running for office. The average contribution was $1,189.

Additionally, P&G operates a separate state PAC in Massachusetts. In 2007, the P&G/Gillette state PAC contributed $2,050 to Massachusetts state and local candidates. The average contribution was $410.

P&G PAC activity is available on the FEC and state elections websites. A listing of all 2007 PAC contributions is available at **www.pg.com/political_activities**.

Designed to Innovate… Sustainably

Strategies & Goals for 2012

Policies, Management Systems and Performance

Strategy 1: Products

Strategy 2: Operations

Strategy 3: Social Responsibility

Strategy 4: Employees

Strategy 5: Stakeholders

Policies, Management Systems and Performance

Policies

While P&G competes hard to achieve leadership and business success, the Company is concerned not only with results, but also with how those results are achieved. We will never condone or tolerate efforts or activities to achieve results through illegal or unethical dealings, anywhere in the world.

Management Systems

P&G's Management Systems ensure that the Company's policies are implemented in a consistent manner throughout the world. These Management Systems align with the Company's policies and promote a regular flow of information that helps the Company better manage its progress on elements of sustainable development.

Performance

P&G measures operational performance in order to drive continuous improvement. A Company-wide system of measuring performance has been developed. This approach enables the Company to report data on a wide range of operational categories.

Our actions are not just profit-driven but also progress-driven, to ensure a better quality of life for everybody, now and for generations to come. Our extensive consumer research related to our brands also helps us identify ways we can best address sustainability.

Acquisitions

Acquisitions, mainly Wella and Gillette, have been included in the metrics presented herein. The only thing that is different for acquisitions is the expectations of performance with respect to meeting all of P&G standards. We allow a six-year glide path to meet the audit performance score of 8.0 out of a ten-point scale. A mid-point expectation is 6.5 within three years. Our experience has been that the acquisitions exceed those expectations

Process for Data Collection

P&G's data collection systems have been in place for many years. They are designed to be simple enough so that the people closest to the work, regardless of location, can use the tools. This simplicity enables the Company to collect data and update systems annually at a relatively low cost. Each business unit is responsible for the accuracy and consistency of its data.

All data is reported on a global basis. In order to achieve consistency and to ensure a common understanding throughout the organization, employees are trained in how to report and document data. Our standard is to use metric units and English as our business language, backed where necessary with local translations.

To ensure the standard collection of data, the Company has the following work process in place:

- Key terms defined.
- The data to be collected are identified.
- Flow sheets are agreed upon regarding who collects data and on what systems.
- Technically sound methods are used by facilities to estimate data and validate year-to-year results.
- Personnel are trained on the work process, as appropriate.

Strategy 1: Products

Strategy

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.

P&G is committed to **using resources wisely, reducing or preventing wastes and emissions whenever possible.**

P&G's philosophy is grounded in a belief that we should be a leader in our industry in implementing our global environmental program. To do this, we concentrate on environmental innovation and accountability for results. We believe our accomplishments illustrate this commitment. The goal is our commitment to transparency in the process over the decade.

We recognize that environmental progress is a never-ending journey of continuous effort and improvement. By focusing on improving the lives of consumers through innovative technologies that work better and more efficiently, we believe we can continue to sustain both the growth of our business and the health of the environment.

Sustainable Innovation Products 2007–2008

Products with a significantly reduced (>10%) environmental footprint versus previous or alternative products.

Product	Region	Innovation
Liquid Laundry Compaction (Tide, Gain, Cheer, Era, Dreft)	North America	Formulation concentration delivered savings in water, energy, transportation, packaging
Powder Laundry Compaction (Daz, Mr. Proper, Ace, Ariel, Gama)	Western Europe	Formulation concentration delivered savings in energy, transportation, packaging
Ariel Cool Clean	Central & Eastern Europe, Middle East and Africa	Formulation to clean in cooler temperatures, saving energy
Downy Single Rinse	Latin America, ASEAN, Australasia and India, Central & Eastern Europe, Middle East and Africa	Formulation change requires consumers to rinse only once, reducing water usage
Braun Silk-épil Xpressive	Global	Redesigned with more energy efficient "Smart Plug"
Braun Series 7	Western Europe	Packaging redesigned to better fit on shipping pallets, reducing transportation
Crest Whitestrips	North America	Redesigned to reduce material waste

Environmental Quality Policy

We will provide products and services of superior quality and value that improve the lives of the world's consumers. As part of this process, P&G continually strives to improve the environmental quality of its products, packaging and operations around the world.

To carry out its Environmental Quality Policy, P&G:

- Ensures that our products, packaging and operations are safe for our employees, consumers and the environment.
- Reduces or prevents the environmental impact of our products and packaging in their design, manufacture, distribution, use and disposal whenever possible. We take a leading role in developing innovative, practical solutions to environmental issues related to our products, packaging and processes. We support the sustainable use of resources and actively encourage reuse, recycling and composting. We share experiences and expertise and offer assistance to others who may contribute to progress in achieving environmental goals.
- Meets or exceeds the requirements of all environmental laws and regulations. We use environmentally sound practices, even in the absence of governmental standards. We cooperate with governments in analyzing environmental issues and developing cost-effective, scientifically based solutions and standards.
- Continually assesses our environmental technology and programs and monitors progress toward environmental goals. We develop and use state-of-the-art science and product life cycle assessment, from raw materials through disposal, to assess environmental quality.
- Provides our consumers, customers, employees, communities, public interest groups and others with relevant and appropriate factual information about the environmental quality of P&G products, packaging and operations. We seek to establish and nurture open, honest and timely communications and strive to be responsive to concerns.
- Ensures every employee understands and is responsible and accountable for incorporating environmental quality considerations in daily business activities. We encourage, recognize and reward individual and team leadership efforts to improve environmental quality. We also encourage employees to reflect their commitment to environmental quality outside of work.
- Has operating policies, programs and resources in place to implement our Environmental Quality Policy.

Product Safety

Household consumer products use a variety of chemical ingredients to provide benefits to society, such as cleaner homes and improved health and personal hygiene, thus enabling an overall better quality of life. One expectation of consumer products is that they will be safe: that their use will not adversely affect human health or the environment.

Throughout its history, P&G has believed that the safety of our products is a prerequisite for responsible business. Our co-founder, James Gamble, stated in the mid-1800s that "if you cannot make pure goods and full weight, go to something else that is honest, even if it is breaking stone." Today, this philosophy is reflected in our Statement of 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." Safety is an intrinsic part of our products' quality and value.

Our approach is based on the scientific assessment and management of risk—the likelihood that people or the environment will be exposed to harmful amounts of a substance. Risk assessment is based on two factors:

1. How "toxic" or "hazardous" a chemical is, and
2. How it is used, specifically the extent of exposure to humans or the environment.

In recent years, some stakeholders have expressed concern about using risk as the basis for product safety. These concerns have been driven by several issues, including:

- Questions about whether the hazards of existing chemicals have been sufficiently studied and whether chemical exposures can be adequately understood.
- Frustration with the slow pace of developing publicly available risk assessments.
- New scientific findings that have not been previously known or evaluated.

As a result, some believe that it might be better to base decisions on a chemical's hazards alone. This has been coupled with calls for the far-reaching use of the "precautionary principle," whereby substances that are classified as "hazardous" would be broadly restricted, with little further evaluation. We recognize the attraction of such a "black and white" approach. However, we believe that it could cause chemicals that are being safely used to be unjustifiably removed from the market, potentially depriving society of innovative and beneficial technologies. Furthermore, experience has shown that even chemicals that could be considered "non-hazardous" (even water) can cause harm under certain circumstances, while "hazardous" chemicals can be safely used (e.g., ethanol).

We recognize that continuing questions about the safety of chemicals mean that industry must take a more collaborative and open approach. Thus, we have initiated a variety of industry partnerships, including: the collaborative assessment of laundry and cleaning product ingredients in Europe (Human and Environmental Risk Assessment — HERA (**www.heraproject.com**); evaluations of "High Production Volume Chemicals" in the United States and with the Organization for Economic Cooperation and Development; assessments of flavors, fragrances and colorants by European and U.S. cosmetics products associations; work in Canada to implement renewed chemicals legislation; the promotion of risk assessment via the U.S. Alliance for Chemical Awareness (**www.chemicalawareness.com**) and the American Chemistry Council; development of a targeted risk assessment approach in Europe, via the European Centre for Ecotoxicology and Toxicology of Chemicals, an industry-sponsored research organization (**www.ecetoc.org**).

NEW SECTION OF "SCIENCE IN-THE-BOX" COVERS SUSTAINABILITY THEMES

For years, consumers have benefited from the Science in-the-Box, a scientific information portal that tells consumers about the science and innovation that make P&G's products work. And this year, P&G introduced a new section to the Science in-the-Box website. Sustainability in the Home, **www.scienceinthebox.com/en_UK/sustainablehome/index.html**

Sustainability in the Home was created to meet the rapidly growing information needs from consumers and stakeholders around the sustainability of P&G's Household Care products. It is important for P&G to be transparent about its sustainable innovation approach and to offer consumers and stakeholders the opportunity to review the facts and listen to our perspective. This facilitates informed decision-making and a two-way dialogue.

The new Sustainability in the Home module covers five sustainability themes:

1. Efficient use of energy (e.g. energy savings from washing at low temperatures)
2. Efficient use of water (e.g. water savings from less prewashing, full wash loads)
3. Sustainable packaging (e.g. how we innovate packaging, how to handle waste)
4. The consumer and environmental benefits of compact detergents
5. Driving sustainable consumer behavior before, during and after use of our products

Sustainability in the Home follows the Science in-the-Box approach, offering facts and rich, objective content in an easily accessible way, in different languages and tailored to different target audiences. Science in-the-Box delivers information around the safety, composition, sustainability and science of our brands and reaches more than 60 percent of the European population in their native language. The product information website **www.info-pg.com** is available in all EU languages and gives detailed information on the marketed laundry and cleaning products such as their composition, safety data sheets and other relevant information.

60

percent of the European population is reached by Science in-the-Box.

In addition, we are actively promoting the responsible production and use of chemical products, and better information sharing with the public. For example, we are working with the European soap and detergent industry association (A.I.S.E.) on formulation improvements, as well as providing consumer guidance on how to use detergents properly (**www.washright.com**). We launched and then expanded a P&G Internet site (**www.scienceinthebox.com**) to help inform consumers and stakeholders about the science and safety behind our European cleaning products. Very high public interest in this site led to a similar site covering the science and safety of skin and hair care products (**www.pgbeautyscience.com**) and another site covering P&G's approaches to product safety and views on a variety of chemical management and science policy issues (**www.pgperspectives.com**).

From a policy standpoint, we continue to believe that chemicals management programs should be based on:

1. Efficient risk-based priority setting processes that use hazard data and basic exposure information together to identify issues of potential concern, followed by practical risk evaluations that analyze chemicals in a tiered fashion to resolve such issues.

2. Risk management decision-making that combines information on a chemical's risks, benefits and costs with an understanding of societal concerns; the risks, benefits and costs of alternatives; and the use of appropriate precautionary measures.

3. Communications that provide meaningful and relevant safety information to stakeholders, so that they can make knowledgeable decisions.

These policies are the foundation of what we do internally, as well as what we encourage across government and industry.

Internally, they are enabled by collaboration among Research & Development, Product Safety and Regulatory Affairs, Manufacturing, External Relations and management. Our efforts go beyond safety and risk to include product lifecycle issues such as energy and resources use, and waste management.

Human and Environmental Safety of Our Products

Product Safety & Regulatory Affairs (PS&RA) is responsible for ensuring that products and packages are safe for consumers, safe for the environment and in compliance with laws and regulations where they are sold.

PS&RA also addresses other environmental aspects of products and packages, such as their compatibility with waste management systems, natural resource use or issues of perceived safety. This organization is also responsible for the development, validation and adoption of alternatives to animal testing and ensures that any claims the Company makes about the safety or environmental profile of its products are scientifically sound.

Risk assessment is the process the Company uses to evaluate the safety of its products and ingredients. In this process, chemical hazard and exposure information are related in a way that describes the likelihood that a chemical will adversely affect biological systems. The PS&RA organizations in each business unit work closely with product development teams in the development, selection and formulation of product ingredients and mixtures with acceptable risk profiles, as well as satisfying other important business and consumer needs.

A key part of PS&RA is the Central Product Safety (CPS) organization. CPS has direct responsibility for ensuring that our products are safe for consumers and the environment. Its primary role is to advance the science of understanding and evaluating the human and environmental safety and impact of our products. It is helped in this process by an External Advisory Board consisting of several distinguished academic scientists.

CPS's work involves conducting basic studies in toxicology and biodegradation, together with an understanding of exposures, to ultimately complete human and environmental safety assessments used to make business decisions for products going to market as well as guide in the development of new technologies. CPS is also involved in key national and international initiatives (e.g., United Nations, Organization for Economic Cooperation and Development) directed toward supporting the sound management of chemicals around the world by sharing our toxicity information and establishing principles for promoting the safe and responsible use of chemicals.

For further details on the science and safety of P&G products, we encourage you to visit these websites:

Science in-the-Box: **www.scienceinthebox.com**

The Science of Beauty: **www.pgbeautyscience.com**

P&G Perspectives: **www.pgperspectives.com**

Approach to Animal Welfare and Alternatives

P&G products are used in homes around the world 3 billion times a day, and we are committed to safeguarding the health of our many consumers.

Sometimes, to ensure that materials are safe and effective, we must conduct research involving animals. This is a last resort. We consider such research only after every other reasonable option has been exhausted. The vast majority of our tests do not use animals. Wherever possible, we use computer models, synthetic materials, published scientific studies and comments from consumers about products they use. P&G is well known for leadership in developing alternatives to animal tests, investing more than $265 million and helping to develop more than 50 alternative methods.

We approach our work with respect, openness and responsibility by using animals as a last resort, working with animal welfare organizations and ensuring high standards of care. We have invested more than $15 million since 2003 to help advance standards of animal care and welfare. We collaborate with governments and academia to promote the acceptance of alternatives. We actively share our discoveries so that others can benefit from them. News of our advances has been shared in more than 400 scientific publications. We seek input from the world's leading experts to continuously improve our approach.

For details of our policy and practices please go to: **www.pg.com/science/animal_alt.jhtml**

On this website you can also learn about:

- Ongoing work to advance our animal welfare and animal alternatives programs (in our regular Forward Focus newsletter).
- P&G's participation in the 5th and 6th World Congresses on Alternatives & Animal Use in the Life Sciences (2005, 2007), a leading global scientific forum on refining, reducing and replacing the use of animals in research.
- The joint declaration by P&G and the Humane Society of the United States committing the two organizations to a strategic partnership that aims at the elimination of animal use for consumer product safety evaluation.
- P&G's commitment to the European Partnership for Alternative Approaches (EPAA), which aims to accelerate the rate at which alternatives are agreed upon, validated and put into practice.
- P&G's support of the European Animal Welfare and Alternatives Awards offered by EUROTOX and the Humane Society International as well as the North American Awards offered by The Humane Society of the United States.

For more technical articles regarding animal welfare, please go to: **www.pgperspectives.com/en_UK/general/research-with-animals_en.html**

Forest Resources Policy

Though P&G does not own or manage forests, we are a major purchaser of wood pulp and have a responsibility to ensure sustainability of the world's forest resources. Consistent with this view, P&G has had a long-term policy which applies to purchasing and utilization of wood pulp. As the science, knowledge and verification systems related to sustainable forest management evolve, we will revise this policy accordingly.

P&G purchases wood pulp from suppliers that:

- Ensure the safety of forestry and manufacturing operations for employees and the environment.
- Document that wood is legally harvested and that other legal requirements are met.
- Practice principles of sustainable forest management in their own operations and in sourcing of wood.
- Do not obtain the fiber from sites designated for conservation or judged to have unique environmental or cultural value.
- Reflect our social values and support of universal human rights through work with local governments and communities to improve the educational, cultural, economic and social well-being of those communities.

We ensure compliance with this policy through site visits, comprehensive surveys and research, required documentation and independent third-party certification of sustainable forest management practices.

P&G requires pulp suppliers to independently certify their operations for sustainable forest management. P&G also requires suppliers to provide auditable assurance that fiber from sources not directly owned and managed by them is obtained via legal means and that harvest is conducted via sustainable practices. We give preference to pulp from Forest Stewardship Council (FSC) certified forests when it is available, meets product performance requirements and competitive market conditions. We will also work with pulp suppliers to explore opportunities to progressively increase the amount of pulp from credibly certified sources, such as FSC. Other certification systems that our suppliers select must be consistent with the following generally accepted criteria for sustainable forestry management:

- A commitment to forest regeneration and reforestation.
- Protection of soil quality, riparian zones and water quality.
- Protection of ecologically and culturally unique forest areas.
- Maintenance and conservation of biological diversity.
- Stakeholder consultation and public reporting.
- Continuous improvement in forestry practices.
- Compliance with legislation.
- Support of universal human rights.
- Multi-stakeholder governance and transparency in decision-making and reporting.

P&G is committed to reducing demand on the world's forests and other resources and will continue to:

- Focus on source reduction or use of less fiber through development of innovative technologies that provide maximum product performance using minimal fiber.
- Evaluate the use of non-forest derived sources of fiber, recognizing that alternatives must also meet principles of sustainable management.
- Explore and implement energy and water conservation opportunities in our paper making operations.
- Use recovered fiber when it has no negative impact on product performance, manufacturing efficiency, resource and energy usage, and waste generation.

Procter & Gamble bought a total of 1.7 million ADMT (air dried metric tons) of pulp in 2007–2008 for use in our tissue/towel products, diapers and feminine hygiene products. The pulp was sourced from the following regions:

United States	**32%**
Canada	**31%**
Brazil	**27%**
Western Europe (Spain, France, Germany)	**3%**
Scandinavia	**2%**
Indonesia*	**2%**
Russia	**<1%**
Other Baltic Countries	**<1%**

* From plantations; high conservation value assessments done to protect biodiversity

All of our pulp suppliers have certified their forestry operations for sustainable forest management. The certification systems used are as follows:

Sustainable Forestry Initiative (SFI)	**54%**
National Program of Forest Certification (CERFLOR)	**27%**
Forest Stewardship Council (FSC)	**2%**
Programme for the Endorsement of Forest Certification (PEFC)	**13%**
Indonesian Ecolabelling Institute, or Lembaga Ekolabel Indonesia (LEI)	**2%**
Canadian Standards Association (CSA)	**2%**

Palm Oil Policy

P&G is committed to the sustainable sourcing of palm oil. By 2015, we intend to purchase and use palm oil that we can confirm to have originated from responsible and sustainable sources. We will seek to accomplish this goal through the following key steps:

Supplier and Partner Coaching: We will continue to share and reinforce our expectations related to sustainability, and encourage and reward "sustainable behavior" on behalf of our partners and suppliers. This will include visits to our suppliers and audits of their on-the-ground operations to ensure that their practices will meet or exceed our sustainability expectations, including their selection, purchase, and responsible use of land for the planting of palm plantations. We will continue to partner with both known suppliers with whom we have long-standing relationships and trust, as well as with emerging suppliers who embrace and support our Corporate sustainability principles and expectations.

Stakeholder Partnerships: We will expand and strengthen relationships with trade associations, government agencies, non-governmental organizations (NGOs), and other critical external stakeholders to help influence positive changes and incremental sustainability improvements in the palm oil supply chain and industry. We will partner with third-party organizations to help confirm and validate our palm oil sourcing and use strategies.

Industry Influence: We will continue to support industry efforts to eliminate irresponsible and/or illegal deforestation of land for use in the planting and harvesting of palm plantations, as well as efforts to help ensure the appropriate selection and designation of land for such uses.

P&G PARTNERS TO FIND FOREST HEALTH OPPORTUNITIES

In addition to ensuring that our pulp suppliers are practicing sustainable forestry, we also work with leading NGOs to identify additional opportunities to protect the health of forests around the world. The World Wildlife Fund (WWF) has created the Global Forest & Trade Network to eliminate illegal logging and improve the management of valuable and threatened forests. In April 2008, WWF announced that P&G joined the North American arm of the Global Forest & Trade Network.

Economic Development

Innovation is a P&G cornerstone. More than $2 billion is invested annually in research and development—the largest amount among consumer product companies worldwide. We have more than 34,000 patents worldwide, and we average more than one new patent per day.

These intellectual assets are of tremendous value to P&G. But some are not being fully realized; we invent more than we can commercialize. Through our External Business Development group, we continue to identify non-strategic proprietary technologies which, when developed to their full potential, can yield sustainable revenue sources and bring important technologies to the market.

P&G invites collaboration. Our External Business Development group manages over 800 active contracts with other companies and institutions. This includes a wide variety of deal structures—licensing, sale, technology swap, joint ventures and more. P&G remains the partner of choice in working with others to improve the lives of the world's consumers.

NEW CAMPAIGN ENCOURAGES CHILDREN TO SAVE WATER

Water consumption is a concern in Spain, especially in the summer heat. The third edition of Ariel's 'Every Drop Counts' campaign gives consumers tips on saving water at home. The campaign also promotes a partnership with WWF/Adena which contributes funds toward different water projects around Spanish rivers.

Children are often great teachers for their parents, so they were the campaign's focus. In the Ariel "Patrols," a fun educational road show in Spanish schools, students learned valuable water saving tips, such as taking a shower instead of a bath, or using the same water to wash fruits and water plants. Through simple tricks at home, families can save a significant amount of water over the course of a year.

P&G HONG KONG LEADS EFFORT TO REDUCE SOLID WASTE IN PROMOTION

Since April 2008, P&G Hong Kong has partnered with key customers and suppliers to pioneer a breakthrough sustainability project aiming to make Hong Kong's trade environment more green. The program has taken a holistic approach to minimizing the environmental impact of P&G's trade promotion, making improvements in displays from design and manufacture to use and disposal.

The program has included innovative solutions framed around the three R's:

1. ***Recycle*** display material
2. ***Reuse*** display structures by altering the promotion campaign message
3. ***Replace*** heavy wood structure with lightweight materials such as paperboard

Solid waste is a serious environmental problem in Hong Kong, which could run out of landfill space in six to ten years. With unprecedented support from customers and suppliers, P&G Hong Kong was the first company in the industry to introduce such innovative trade sustainability solutions.

Strategy 2: Operations

Strategy

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

Goal

Deliver an additional 10 percent 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 percent.

P&G is committed to maintaining operations that are **safe for our employees, consumers and the environment.** We reduce or prevent the environmental impact of product manufacturing whenever possible.

PROGRESS (percent reduction per unit production)	Since July 2007	Since July 2002
Energy Usage	-6%	-46%
CO_2 Emissions	-8%	-52%
Waste Disposal	-21%	-50%
Water Usage	-7%	-51%

Resource & Waste Summary

The table below reports environmental statistics for Manufacturing Operations in the Global Business Units and Technical Centers. Included are both Wella and Gillette sites. Table reflects divestiture of Western European Tissue Towel Business.

	Totals (absolute units x 1,000)			2008 Global Business Unit Detail (1) (absolute units x 1,000)			
	2008	2007	2006	Beauty	Health & Well Being	Household Care	Technical Centers
PRODUCTION (metric tons)							
Product Shipped	23,187	21,742	20,660	5,239	3,404	14,544	0
Raw Materials from Recycled Sources	697	79	65	139	90	468	0
WASTE (metric tons)							
Generated Waste	935	983	894	139	175	602	19
Percent Recycled / Reused Waste	59%	53%	59%	52%	68%	63%	33%
DISPOSED WASTE (metric tons)							
Solid Waste — Non-Hazardous	311	375	305	81	48	171	11
Solid Waste — Hazardous	30	48	21	4	1	24	1
Effluents (excluding water)	23	22	27	5	5	12	1
Air Emissions(2)	16	17	16	1	2	13	0
OTHER							
Energy Consumption (gigajoules)	75,901	77,681	78,020	4,025	8,129	61,428	2,319
Greenhouse Gas Emissions (metric tons)(3)	2,782	2,876	2,935	125	217	2,379	61
Water Consumption (cubic meters)	86,958	89,688	91,292	7,422	4,734	66,725	8,077
SARA Releases (metric tons)(4)	1.90	1.73	2.15	0.04	0.28	1.58	0.00

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

(1) Beauty includes segments Beauty and Grooming. Health and Well-Being includes segments Health Care and Snacks, Coffee and Pet Care. Household Care includes segments Fabric Care and Home Care, Baby Care and Family Care. Technical Centers includes each of the research centers that support the business units. 2008 numbers come from P&G manufacturing sites only, they do not include production from contract manufacturing operations.

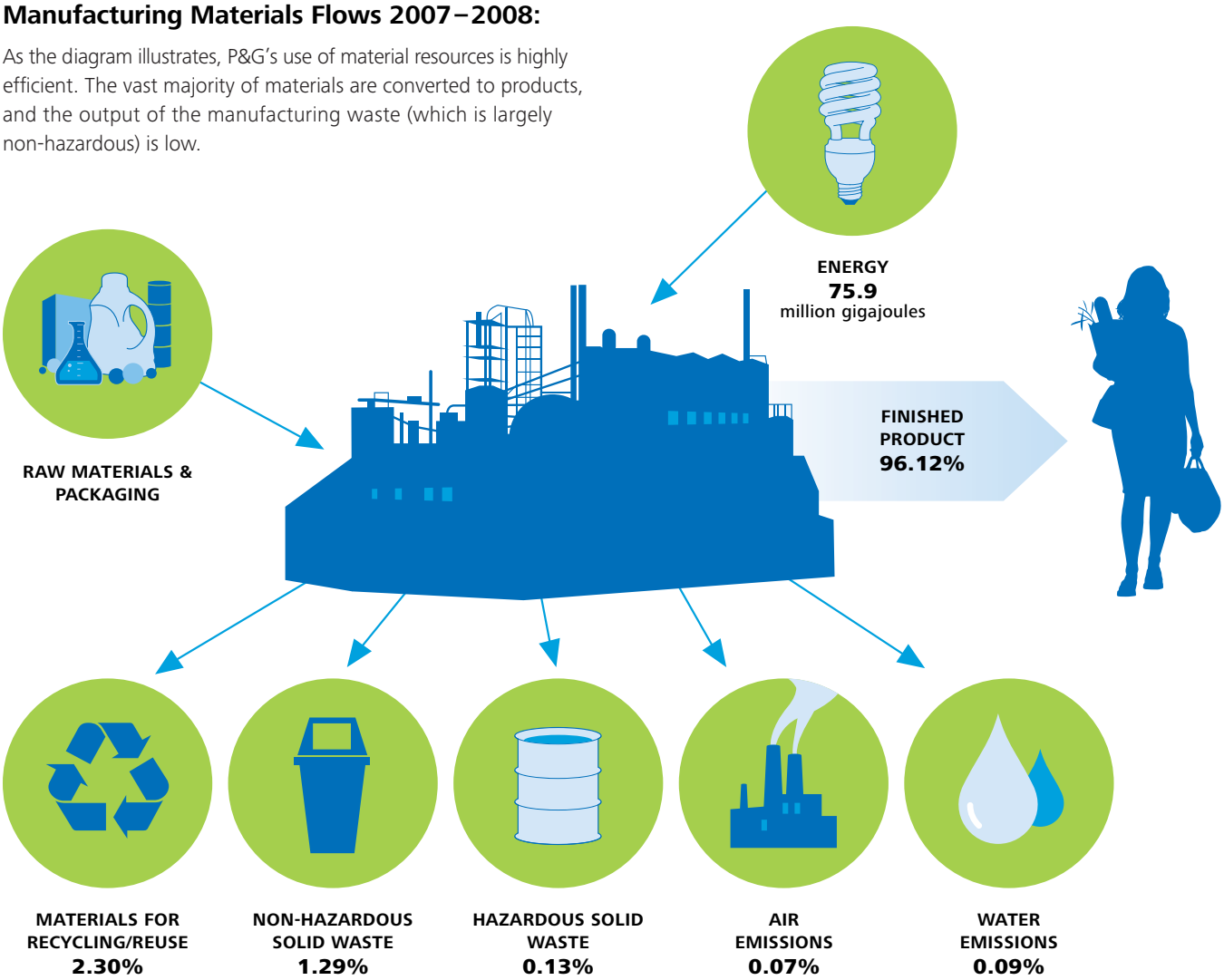
(2) Air emissions include particulates, SO_2, NO_x, CO and VOC.

(3) Greenhouse gas emissions include CO_2 from fuel combustion sources.

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

Manufacturing Materials Flows 2007–2008:

As the diagram illustrates, P&G's use of material resources is highly efficient. The vast majority of materials are converted to products, and the output of the manufacturing waste (which is largely non-hazardous) is low.



Product Supply Overall Approach—Blending Sustainability into our Lifeblood

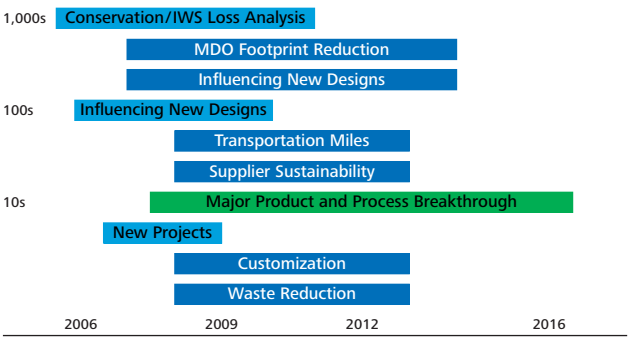
We have a strong history of reducing the environmental footprints and costs from our operations. Our production-adjusted footprints, including Energy Usage, Direct CO_2 Emissions, Waste Disposed, and Water Usage, have been dramatically reduced during the first six years of the decade (2002–2012). During FY07/08, we continued to have outstanding production-adjusted reductions that have positioned us to meet a 50 percent decade reduction. Importantly, these sustainability reductions are also delivering significant cost savings.

	1-year Results FY 07/08		Since July 2002
	Production-Adjusted	Absolute	Production-Adjusted
Base Target	**-2%**	**n/a**	**n/a**
Energy Usage	-6%	-2%	-46%
Direct CO_2 Emissions	-8%	-4%	-52%
Waste Disposal	-21%	-18%	-50%
Energy Usage	-7%	-3%	-51%

To deliver these outstanding results, our operating site personnel along with staff resources from the GBUs, MDOs, Corporate Engineering, GBS-Purchases, and Finance have combined forces working against a common Product Supply sustainability approach. This comprehensive approach will allow us to more systematically reapply the successful current operations strategies used over the past six years. It not only addresses efforts to exceed our current operations goal, but is also looking at strategies to:

- Expand our efforts to include the entire supply chain via partnerships with MDOs and suppliers.
- Continue efforts on our future operations beyond 2012 via partnerships with R&D to deliver breakthrough sustainable innovation.

EXECUTION TIMELINE
(number of projects)



- Current Operations
- End to End Product Supply Solutions
- Delivering the Future

Current Operations: These results have been driven by our conservation efforts, use of economically smart and sustainable new designs, and targeted projects.

End to End Solutions: MDO (footprint reductions, transportation reduction and elimination of waste from customization) and Suppliers.

Delivering the Future: Breakthrough product and process changes. Partner PS, R&D and external experts to deliver these breakthroughs.

Operations Innovates to Save Energy

This year, P&G operations pioneered breakthrough technologies to reduce energy consumption. Among the simple, low-cost steps were the following:

- Using water spray instead of electric power to cool water.
- Recovering waste heat from washout and sanitization water.
- Using high-efficiency long-life lighting.

Over the year, these changes helped to reduce mean output energy by 6–10 percent for each site. They are currently being reapplied across other business units.

In addition, energy training and energy audits were conducted at all sites this year, making each self-sufficient in delivering sustainability opportunities.

Energy

Energy Consumption

The Energy Consumption graph (in gigajoules, GJ) shows the addition of Technical Centers for all three years. Gillette was added for the last two years. We have seen a decrease over the past three years: 78 million GJ, 78 million GJ and 76 million GJ in 2006, 2007 and 2008, respectively.

ENERGY CONSUMPTION BY GBU
(millions of gigajoules)

DECADE ENERGY CONSUMPTION
(percentage of 2002 level, per unit of production)

As part of our ongoing efforts to minimize losses, the Company does a loss analysis at the plant level. Losses are defined as anything not shipped out the door as product, including energy used. When energy is identified as a major loss at a plant, it receives intense focus for loss reduction.

Operations has made excellent progress toward delivering the 10 percent footprint reduction goal. Across businesses, teams have embraced the targets and integrated sustainability into their daily work.

A key element to delivering the goal is the conservation efforts. The three strategies are:

1. Eliminating losses and encouraging sustainability behavior and culture;
2. Executing specific footprint reduction projects; and
3. Ensuring that new initiatives and capacity projects are developed in a smart, sustainable way.

Successes have been delivered in many areas:

Household Care has accelerated the "eliminating losses" strategy by forming a Global Energy Reduction Network focused on a "Back to Base" program to return the energy systems to base condition. Site Energy Owners, including Duracell, have joined the global network. The network developed simple checklists focusing on the top energy systems. The "Back to Base" program should reduce the energy by 5 percent.

Family Care Across the Sites underwent extensive use of process and equipment optimization. In addition, the new Sustainability Template System was incorporated into the existing capital system process to verify that we properly evaluate the sustainability impact of future projects and initiatives as they move forward for funding.

Beauty Care Asia continued to implement regional conservation programs. These programs made significant contributions in energy reduction and CO_2 emission reduction. The implemented technologies for this fiscal year include high-efficiency long-life lighting and evaporative cooling.

Greenhouse Gas

Every company in every sector of the economy has a role in controlling greenhouse gas emissions. While P&G is not an energy-intensive company, we are stepping up to do our part. P&G is committed to energy-efficient programs and we participate in voluntary programs. Our focus has been on CO_2 Scope 1 (Direct). We have seen a decrease over the past three years in CO_2 Scope 1 (Direct): 2.9 million metric tons, 2.9 million metric tons and 2.8 million metric tons in 2006, 2007 and 2008, respectively. We continue to monitor CO_2 Scope 2 (Indirect). Total scope 2 (Indirect) increased slightly due to growth of business, but decreased per unit of production.

SCOPE 1 (DIRECT) GREENHOUSE GAS EMISSIONS
(thousand metric tons)

DECADE SCOPE 1 (DIRECT) GREENHOUSE GAS EMISSIONS
(percentage of 2002 level, per unit of production)

SCOPE 2 (INDIRECT) GREENHOUSE GAS EMISSIONS
(thousand metric tons)

DECADE SCOPE 2 (INDIRECT) GREENHOUSE GAS EMISSIONS
(percentage of 2002 level, per unit of production)

Water Consumption

We have seen a decrease over the past three years in water consumption: 91 million m^3, 90 million m^3 and 87 million m^3 in 2006, 2007 and 2008, respectively. The Household Care business unit is our largest water user. In particular, the Family Care business has the highest need for water to make their products.

WATER CONSUMPTION BY GBU
(million cubic meters)

DECADE TOTAL WATER CONSUMPTION
(percentage of 2002 level, per unit of production)

Climate Change Policy

Procter & Gamble believes that there is growing scientific evidence linking greenhouse gas (GHG) emissions and global climate change.

As a global citizen, P&G is concerned about the potentially negative consequences of climate change and believes that prudent and cost-effective action by governments, industry and citizens to reduce emissions to the atmosphere are justified.

We will focus our efforts in two main areas:

- Reduce the intensity of greenhouse gas emissions from our own operations through:
  - continued energy efficiency measures throughout our facilities.
  - continuing to transition fuels sources toward cleaner alternatives.
  - setting goals to drive continued improvement in our GHG emissions.
- Help consumers to reduce their own GHG emissions through the use of our products via:
  - product and packaging innovations that enable more efficient consumer product use and energy consumption.
  - consumer education.

We will continue to publicly disclose our greenhouse gas and energy usage data through the Company's Sustainability Report and the Carbon Disclosure Project.

UPDATE ON CLIMATE R.E.S.O.L.V.E.

P&G supports the goals of Climate R.E.S.O.L.V.E. (Responsible Environmental Steps, Opportunities to Lead by Voluntary Efforts). We have met the 2012 goal, but this will not stop our resolve to continue reducing greenhouse gas emissions.

Our actual emissions in FY 07/08 are less than the emissions in 2002: 2,781,900 metric tons versus a base of 3,215,031 metric tons. This reduction occured during a time when global sales increased from $40 billion to $83 billion. The most recent acquisitions — Wella and Gillette — are in the most recent years but not in the base year.

Waste Disposed

Total Waste for Disposal

Total waste for disposal is our key management measure to keep waste under control. Total waste disposed comprises the sum of non-hazardous and hazardous solid waste, plus the strength of effluent measured as Chemical Oxygen Demand (COD) and air emissions. It excludes recycling or reused waste. It also excludes CO_2 emissions. This measurement has been in effect since 1990.

The past three years, results have been encouraging on a production related basis and we have seen an absolute reduction over the past year, with total waste disposed of 462 thousand metric tons and 380 thousand metric tons in 2007 and 2008, respectively.

TOTAL WASTE DISPOSED
(thousand tons)

DECADE TOTAL WASTE DISPOSED
(percentage of 2002 level, per unit of production)

Reducing Waste Disposal effort focuses on increasing the amount of waste being recycled.

The Snacks Site in Jackson made a step change in reducing their solid waste generation and disposal. Jackson is a waste "lead site" for NA. Since sustainability execution efforts began, site-wide recycled material recovery has increased by approximately 50 percent and the site has reduced operational generated wastes by 50 percent. Prior to beginning their zero landfill waste initiative, the site did not recycle plastics. Currently, they are recovering approximately 8 tons of plastics per month and the waste disposal costs have decreased by 60 percent.

The F&HC Gattatico Plant instituted a "War on Waste" program in January 2008 to reduce the trend in liquid waste due to increasing change-over sanitizations as production lines "produced to demand." Gattatico is a waste "lead site" for EMEA. At the end of FY 07/08 the site avoided 3,000 tons of disposed liquid waste. By the end of FY 08/09 they plan to reduce by another 2,200 tons. This plan will have over a 50 percent reduction impact on the waste footprint by FY11/12. The key interventions include: recycling wash water back into the process; improved washout procedures; and adding wastewater treatment to reduce the COD levels prior to sewer discharge.

Bangkok: With the tie-in of skin care wastewater to the on-site treatment plant, and the start-up of centrifuge to dewater wastewater sludge, the site has eliminated off-site wastewater treatment and reduced the weight of waste (drier sludge versus wet sludge) being disposed of off-site, resulting in waste reduction of 60 percent.

Waste Recycled

Waste Returned to Process or Market

The total percentage of waste recycled increased to 59 percent. This was driven by excellent work in the Feminine Care, Baby Care and Duracell categories.

WASTE RECYCLED
(percentage)

Non-Hazardous Solid Waste Disposed

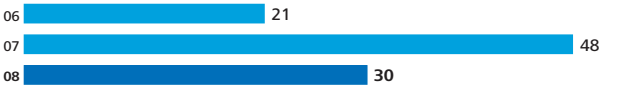
Overall, the non-hazardous solid waste disposed decreased from last year to 311 thousand metric tons. P&G continues to find innovative recycling methods to change the trend to be more efficient.

NON-HAZARDOUS SOLID WASTE DISPOSED
(thousand metric tons)

Hazardous Solid Waste Disposed

Hazardous wastes are defined by regional policies and local rules, so they vary from region to region. To further reduce our risks, the number of approved hazardous waste disposal sites that all U.S. plants use has remained limited. Similar programs have been started in many regions of the world.

HAZARDOUS SOLID WASTE DISPOSED
(thousand metric tons)



Air Emissions

Each site monitors total suspended particulates, volatile organic compounds (VOCs), carbon monoxide (CO), nitrogen oxides (NO_x) and sulfur oxides (SO_x). Overall, the total air emissions decreased from last year to 15.9 thousand metric tons. P&G continues to find innovative recycling methods to change the trend to be more efficient.

AIR EMISSIONS
(thousand metric tons)

Effluents to Water

Wastewater COD Disposed is down over the past three years.

WASTEWATER COD DISPOSED
(thousand metric tons COD)

SARA 313 Releases (United States only)

U.S. P&G plants report annually on the release of toxic chemicals to the air, water and land. These releases are defined in the U.S. Superfund Amendments and Reauthorization Act (SARA) by the U.S. Environmental Protection Agency. The purpose of this documentation (referred to as section 313) is to report publicly the releases and transfers of hazardous chemicals as defined by the agency.

The amount of SARA 313 releases have been steady over the past three years.

SARA 313 U.S.
(total metric tons released or transferred)

Environmental Liabilities

We are also subject to contingencies pursuant to environmental laws and regulations that in the future may require us to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Based on currently available information, we do not believe that the ultimate resolution of environmental remediation will have a materially adverse effect on our financial position, results of operations, or cash flows.

Business Continuity

P&G's Global Business Continuity Program ensures that all critical sites and work processes evaluate their risk mitigation programs, exposure to catastrophic events at P&G sites and sites of our key suppliers and service providers that could significantly interrupt business operations, and the business impact of such events. Site and business unit leaders then develop contingency plans to minimize business interruption if a disabling event should occur. Crisis Management team structures are defined to manage business recovery using the pre-defined contingency plans. Tests are conducted annually to ensure that the contingency plans are sufficient and up-to-date.

Business Continuity Plans are audited regularly, and a report of the Business Continuity Program's status is made each January to the Audit Committee.

Compliance with Laws and Regulations

There are numerous health, safety and environmental requirements worldwide. Plants are subject to safety rules and emission limits with operating requirements that may be embodied in sources such as statutes, regulations, laws and permits. It is P&G's intent to comply with both the letter and the spirit of statutes, regulations, laws and permit requirements. Identified compliance issues are treated seriously, and all non-compliance matters are resolved as expeditiously as possible.

Notice of Violations (NOVs)

Summary of Penalties and Violations

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

	2008	2007	2006
Number	**82**	37	48
Penalties	**$305,328**	$106,257	$127,500

A breakdown of Notices of Violations (NOVs) and U.S. Occupational Safety & Health Administration (OSHA) interventions follow:

	Number	Penalties
Water-Based	27	$ 26,130
Air-Based	5	$186,520
Solid Waste-Based	14	$ 0
Paperwork	0	$ 0
Transportation-Based	27	$ 79,740
Other	1	$ 7,275
Worker Safety (for U.S. OSHA, the number is 0)	8	$ 5,663
TOTAL	**82**	**$305,328**

ENGINEERING MEETS SUSTAINABILITY GOALS AHEAD OF SCHEDULE

In July 2006, P&G chartered a team to develop and implement an Energy Conservation program in Asia Beauty in response to both Corporate Sustainability requirements and rising costs. In our FY 07/08, the actual results provided a total savings of $1.5 million, 12,700 metric tons of CO_2 reduction (based on actual local emission factors), and water avoidance of 125,000 m^3. This resulted in a cumulative two-year savings of $2.9 million.

	FY 06–07	FY 07–08
Cost Savings		
Target (millions)	$1.2	$1.0
Actual (millions)	$1.4	$1.5
CO_2 Reduction (metric tons)	9,000	12,700
Water Reduction (m^3)	not tracked	125,000

FABRIC & HOME CARE INNOVATION CENTER BUILDING #164 & #179 DEMOLITION

Two facilities, formerly used in the production of dry laundry and automatic dishwashing products, were demolished in late 2007. The project, which had an overall scope of 45,000 square feet, was undertaken with sustainability in mind.

Ultimately, 94 percent of the resulting materials were recycled. As a result, 392 tons of metal, 3,585 tons of concrete, and 236 tons of building material (like ceiling tile and drywall) were kept out of a landfill. These practices also resulted in a savings of $235,000.

Strategy 3: Social Responsibility

Strategy

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

Goal

Enable 250 million children to Live, Learn and Thrive.[1] 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.[2]

(1) 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 ages 0–13.

(2) Within Live, Learn and Thrive, our corporate signature program is Children's Safe Drinking Water (CSDW). Methodology for calculating diarrheal days and mortality was developed with Population Services International and Aquaya Institute. Details are provided at www.pg.com/sustainability.

P&G's Purpose is to improve the lives of the world's consumers, now and for generations to come. We do this through the causes we support as well as through our products. We maximize our impact by focusing on a corporate cause where the need is great and there is a clear fit with P&G's strengths.

PROGRESS	Since July, 2007
LIVE, LEARN AND THRIVE (LLT)	
Number of Children Reached	**60 million**
LLT CHILDREN'S SAFE DRINKING WATER	
Liters of Clean Water Delivered	**430 million**
Days of Disease Prevented	**18 million**
Lives Saved	**2,442**

Live, Learn and Thrive™

Touching lives, improving life. P&G™

P&G's Purpose is to improve the everyday lives of the world's consumers. We fulfill this Purpose in many ways: through P&G brands, first and foremost, but also through our support of humanitarian, educational and social cause efforts.

We are committed to focusing our social investments and employee engagement on a single cause: P&G Live, Learn and Thrive. Through our global cause, we are improving life for children in need. In fact, because of this focus, P&G has already improved life for more than 150 million children in need around the world.

There are several reasons to concentrate our resources in this area:

- Disadvantaged children are most vulnerable and least able to help themselves.
- We have deep expertise in health and hygiene as well as many existing programs in children's education and development, which are critical in addressing global needs for children.
- Child development is a universal concern across all global stakeholders in both developed and developing countries.

Live

Helping children get off to a healthy start.

Learn

Providing access to education.

Thrive

Building skills for life.

By strengthening current programs, introducing new ones and focusing our expertise and technologies on this critical need, we can help improve the future for children around the world.

P&G Live, Learn and Thrive comes to life through more than 100 programs in over 50 countries around the world.

P&G is improving life for more than 50 million children every year through Live, Learn and Thrive:

Live: Safe drinking water, nutrition, and hygiene programs are helping children get off to a healthy start.

Learn: Schools are being built and supplies provided to children lacking access to education.

Thrive: Skills for life are being nurtured, including self-esteem and independent-living skills for disabled children.

P&G has been honored for local and global Live, Learn and Thrive programs:

- United Nations Association's Global Leadership Award for P&G Live, Learn and Thrive's efforts to provide safe drinking water and health and hygiene programs.
- 2008 Pioneer Company to Improve Chinese People's Life for our Hope Schools program that provides access to education for children around the country.
- Business Civic Leadership Center's Corporate Citizenship Award in Pakistan for our support of education initiatives.
- Korea Prime Minister's Citation for Social Contributions for our work to improve life for disabled children and youth.
- Donor of the Year for two years in a row by Feeding America, where two-thirds of our product donations reach children in need.

This year alone, P&G and the P&G Fund contributed more than

100

million dollars to support our communities — improving life for more than 60 million children around the world.

Every day, more than 100 Live, Learn and Thrive programs are benefiting children in more than 50 countries around the world.

Live, Learn and Thrive Locations

North America
- Canada
- Puerto Rico
- United States

Latin America
- Argentina
- Brazil
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Mexico
- Peru
- Venezuela

Western Europe
- Belgium
- France
- Germany
- Greece
- Ireland
- Italy
- Netherlands
- Portugal
- Spain
- Sweden
- Switzerland
- United Kingdom

Central & Eastern Europe, Middle East & Africa
- Democratic Republic of the Congo
- Republic of the Congo
- Cote d'Ivoire
- Egypt
- Estonia
- Hungary
- Kenya
- Latvia
- Lebanon
- Lithuania
- Malawi
- Nigeria
- Pakistan
- Poland
- Russia
- Saudi Arabia
- South Africa
- Turkey
- Uganda

Asia
- Australia
- China
- Hong Kong
- India
- Indonesia
- Japan
- Korea
- Malaysia
- New Zealand
- Philippines
- Singapore
- Vietnam

● Live, Learn and Thrive locations

Live, Learn and Thrive has generated dozens of success stories around the world. Below is a sampling of our Cause's recent global achievements, presented by region.

Asia

Hope Schools (China)

Over the past 12 years, P&G has built over 140 schools across rural China, helping tens of thousands of children access better education facilities and an improved learning environment. Through this program, P&G builds and maintains facilities, trains teachers, and provides health and hygiene education programs. P&G Hope Schools engage employees on multiple levels, even encouraging participation from employees' families. And thanks to cause-related marketing efforts, more than 320,000 retail outlets and 100 million consumers have also supported P&G Hope Schools.

Shiksha (India)

India has the world's largest number of children who lack access to education. In the midst of this alarming situation, this program is making a substantial difference. Through Shiksha, which means "education," P&G is providing children in 15 cities and 75 villages across India with access to education. This program commits a portion from the sale of P&G brands toward the education of children in need in India. P&G India has also launched the Shiksha Ambassador Program, allowing employees to lead a word-of-mouth campaign to raise awareness of the issue.

Dreaming Together for the Future (Korea)

This Live, Learn and Thrive initiative supports disabled children with scholarships and vocational education and training, helping them achieve independence. This program has very strong P&G support and involves several brands, including Pantene, Whisper, Febreze, Crest, Pringles, and Wella. P&G employees also make donations and volunteer to personally improve life for disabled children in their community.

Central Eastern Europe, Middle East And Africa (CEEMEA)

Children's Safe Drinking Water

This initiative provides safe drinking water for children in need around the world, with an emphasis in Africa. It provides emergency relief and establishes not-for-profit markets to provide our safe drinking water technology to children and their families. This program is on the ground in developing nations such as Uganda, Kenya and Malawi. P&G continues to expand its reach. Thus far, our technology has provided more than a billion liters of clean drinking water. Our goal is to provide up to 2 billion liters of water by 2012.

Pampers/1 Pack = 1 Vaccine

This campaign helps babies in underdeveloped regions, especially Africa, get off to a healthy start. Each time a consumer purchases a package of Pampers, a vaccination is provided via UNICEF to a child in need. So far, more than 50 million vaccinations have been funded. P&G ultimately hopes to eradicate maternal and neonatal tetanus through this effort, saving tens of millions of lives.

Pampers unicef

P&G Live, Learn and Thrive™ Partnership.

Protecting Futures

By educating girls on the menstrual cycle and providing products to meet their needs, this Always and Tampax program helps keep girls in school. In many parts of rural Africa, the norm for girls during their monthly periods is to stay home and miss school, keeping them out of classes for nearly 25 percent of the year. This creates a tremendous disadvantage for them versus their male counterparts, leading to significantly higher dropout rates and lower academic scores. P&G's support has allowed thousands of girls to receive the education and materials they need to stay in school throughout the year.

Seeds of Passion (Poland)

Children in need can stay safe and healthy as a result of this initiative. P&G volunteers serve as mentors, providing opportunities for at-risk children to build self-esteem and skills for life. Children ages 4–18 attend school near the P&G plant in Targowek, Poland, the poorest section of Warsaw. Roughly half of the community's adults are unemployed, and alcoholism is rampant. Our program provides after-school activities that offer children an alternative to life on the street and hope for the future.

Latin America

Capitan Escudo (Mexico)

This Live, Learn and Thrive program helps keep children healthy by promoting improved hygiene habits. In widespread television broadcasts, Capitan Escudo/Safeguard cartoons teach children the importance of washing hands frequently, explaining how this will help improve their health. P&G also provides one-on-one contacts at schools using Capitan Escudo/Safeguard as a role model and hero. This effort has led to Escudo/Safeguard being seen as "the brand that cares for children's well being."

Eliminating Barriers (Costa Rica)

This effort in Costa Rica eliminates barriers that keep physically challenged children from receiving a proper education. P&G has funded the creation of productive learning environments for thousands of disabled children by refurbishing schools and facilitating access to classrooms and washrooms for these students. The program enables those children to go to school and build both academic and social skills. To enhance the school environment, P&G employees volunteer by painting, gardening, decorating with murals, and making other improvements.

Manchay Vive (Peru)

In partnership with United Way International (UWI), this program brings preventive medical treatment and education to children attending schools in the deprived Lima area. P&G reaches children of all ages, from birth to age 18, providing scholarships that allow suffering children to receive preventive medical care, essential daily nutrition, and access to an education. Employees make donations through the United Way campaign, along with volunteering time to advise the local UWI organization on critical community development programs.

North America

Braeburn Neighborhood Place (Canada)

Braeburn Neighborhood Place is an after-school program for high-risk students ages 7–13 living in public housing. This program helps children develop their academic skills while providing enrichment programs—including arts and athletics—that help build self-esteem. This model has demonstrated success—in some cases, the number of children passing standardized tests for reading, writing and math jumped 300 percent–500 percent. P&G employees in Canada support this program via the United Way campaign, while many volunteer as part of Canada's Corporate Days of Caring, which features Braeburn as a Live, Learn and Thrive opportunity.

Eliminating Barriers (U.S.)

While many Live, Learn and Thrive programs benefit thousands and even millions of children, this initiative has a limited but powerful impact. Children with disabilities such as cerebral palsy and autism can not interact the way most children do. For some, their disabilities keep them from communicating; for others, physical limitations hinder their ability to write. But technology is a powerful enabler for these children today. With the right technological support, they can attend regular schools and interact with peers. P&G supports the Perlman Center in Cincinnati, bringing scale and technical support and training that empowers children to thrive through technology.

Give a Meal (U.S.)

This nationwide program provides meals for hungry children across the U.S. Beyond the million meals that were provided last November and December, this campaign has helped build awareness of the epidemic of child hunger across the country. The program provides an opportunity for our partner, Feeding America, to raise additional funds needed to purchase and distribute nutritious meals for the 10 million U.S. children who go hungry every day.

GIVE A MEAL

P&G Live, Learn and Thrive™ Initiative.

Western Europe

SOS Enfance Mal-Logee (France)
This program supports families with children living in sub-standard housing. A recent survey showed 95 percent of the French population believes housing is an important social issue that gets worse every day. This Live, Learn and Thrive program helps move families from sub-standard living conditions to safe, accessible housing, allowing children to stay with their families rather than being placed in orphanages.

T.O.U.C.H. (Switzerland, Germany)
Since launching in P&G's Geneva office, T.O.U.C.H. (Together for Our Community Here) has resulted in thousands of hours of voluntary work to help disabled, sick, and underprivileged children in Geneva. In fact, the program has been so successful it is being expanded to Germany.

SOS Children's Villages (Greece, Portugal, Spain)
This partnership provides homes and development programs for orphaned and abandoned children. Through P&G's support, these children get proper nutrition while being raised in family-style villages, where they are assimilated into the schools, participate in typical youth activities, and build their skills for life along the way. The children's villages help change children's lives for the better, and P&G is proud to play a role in their success.

Relief and Social Market Countries

Children's Safe Drinking Water

P&G Live, Learn and Thrive™ corporate signature program
P&G's Cause—Live, Learn and Thrive—comes to life through dozens of programs around the world, including its signature program, Children's Safe Drinking Water. More than 4,000 children die every day from diseases caused by drinking unsafe water. P&G, in collaboration with the U.S. Centers for Disease Control and Prevention, has developed a low-cost technology called PŪR Purifier of Water to purify even heavily contaminated drinking water so that it meets World Health Organization standards for safe drinking water. Studies show that the PŪR sachets can reduce diarrheal illness in children by more than 50 percent.

Impact of Children's Safe Drinking Water Program
Since the start of Children's Safe Drinking Water, we've delivered more than a billion liters of clean drinking water. This has resulted in an estimated reduction of 52 million days of diarrhea and 6,903 lives saved.

Children's Safe Drinking Water

P&G Live, Learn and Thrive™ Initiative.

Objectives and Strategies
The program consists of not-for-profit social and emergency relief work to provide safe drinking water to the people who need it most. Our goal is to reduce the sickness and death in children that results from drinking contaminated water. Because 1.2 billion people do not have access to safe drinking water, P&G would not be able to sustain donations of the product. Instead, our partners have endorsed an approach by which P&G will provide the PŪR sachets at cost and not-for-profit to help meet these ongoing needs around the world.

Program Components
The key to the program is strong partnerships with groups around the world. In our social execution, our partners are using social marketing techniques to build and sustain introduction of the PŪR technology. This includes education on the local level about the importance of clean drinking water and how to use the PŪR sachets. For emergency relief, PŪR has been provided for disasters around the world, and follow up work has been done to show that the use of PŪR is effective and practical in emergency situations.

During this fiscal year we delivered

430

million liters of safe drinking water, preventing 18 million days of disease and saving 2,442 lives.

Results

During the last three years, our Children's Safe Drinking Water program has provided more than 100 million sachets, enough to treat 1 billion liters of safe drinking water. We have worked with UNICEF, Samaritan's Purse, Red Cross, AmeriCares, PSI, USAID, CARE, and others to respond to some of the most critical emergency relief situations including the Southeast Asia tsunami, hurricanes in the Caribbean, floods in the Philippines and Bangladesh, and earthquakes in Pakistan and Indonesia. Most recently, PŪR has been provided to victims of flooding in Myanmar, the earthquake in China, hurricanes in Haiti, and cholera outbreaks in much of Africa.

Using PŪR sachets, safe drinking water has been provided in more than 30 countries to date. Social markets are currently in Kenya, Pakistan, Uganda, Malawi, Ethiopia, the Democratic Republic of the Congo, the Republic of the Congo, Botswana, Indonesia, Haiti, and the Dominican Republic.

The United Nations has declared 2005 to 2015 to be the "International Decade for Action, Water for Life" for creating public awareness and solutions for water-related issues. P&G is committed to making a difference on both fronts—raising awareness and saving lives.

Our Children's Safe Drinking Water Program continues to be widely recognized. Awards received in 2007 and 2008 include:

- Grainger Challenge Bronze Award, National Academy of Engineering and The Grainger Foundation—for being an innovative, sustainable solution for arsenic removal from drinking water.
- Laureate of the Tech Museum Awards from the Tech Museum of Innovation—for providing safe drinking water to families in developing countries.
- Strategic Vision Award, Center for Strategic and International Studies, Global Strategy Institute—for formulating creative and innovative approaches to one of the most strategically important issues of our time, safe drinking water.
- International Health Communication Gold Medallion Award, Johns Hopkins University Bloomberg School of Public Health—for building market-based relationships that sustain and deliver safe drinking water.
- Children's Environmental Health Excellence Award, U.S. Environmental Protection Agency—for outstanding leadership in protecting children from environmental risk.
- Global Leadership Award, United Nations Association of the USA—in part, for providing clean water for millions around the world through the Children's Safe Drinking Water program.
- Ron Brown Corporate Leadership Award, U.S. Presidential Award—for providing safe drinking water and the ongoing commitment to the Children's Safe Drinking Water program.

HONORED AT WHITE HOUSE

In December of 2007, P&G was honored with the highly prestigious Presidential Ron Brown Award for Corporate Leadership. In a special ceremony at the White House, P&G Chairman of the Board and Chief Executive Officer A.G. Lafley accepted the award from U.S. Secretary of Commerce Carlos M. Gutierrez, on behalf of the Company and all employees.

"P&G's Purpose as a Company is to improve consumers' lives now, and for generations to come," said Lafley in accepting the award. "Through efforts such as our Children's Safe Drinking Water program, we're helping to save lives in places where our help is needed most."

The Ron Brown Award, established by President Clinton in honor of the late U.S. Secretary of Commerce, is the only presidential award recognizing companies for outstanding achievement in employee and community relations.

For a company to be eligible:

- Top management must demonstrate commitment to corporate citizenship.
- Corporate citizenship must be a shared value of the company, visible at all levels.
- Corporate citizenship must be integrated into a successful business strategy.

"We are inspired by the vision of the Ron Brown Award—a vision that Secretary Brown embraced and that we share: business can do well by doing good," said Lafley. "Our employees and many Children's Safe Drinking Water partners take this recognition as a challenge to serve even more people in need in the years to come…and we will."

Relief and Social Market Countries

Americas
- Dominican Republic
- Guatemala
- Haiti
- Mexico
- Nicaragua
- Venezuela

Africa
- Angola
- Botswana
- Burkina Faso
- Chad
- Democratic Republic of the Congo
- Republic of the Congo
- Ethiopia
- Kenya
- Liberia
- Malawi
- Morocco
- Mozambique
- Sudan
- Uganda
- Zimbabwe

Asia/Europe
- Bangladesh
- India
- Indonesia
- Iran
- Iraq
- Maldives
- Pakistan
- Philippines
- Romania
- Sri Lanka
- Vietnam

Children's Safe Drinking Water

P&G Live, Learn and Thrive™ Initiative.

Children's Safe Drinking Water Program Methodology

Working with Population Services International and Aquaya Institute, we have developed the following methodology to estimate the days of disease and lives saved as a direct result of PŪR usage.

The number of PŪR sachets that are provided are tracked on a monthly basis by country.

From this, we calculate the liters of safe drinking water provided and estimate the impact on reduction in days of diarrhea and estimated lives saved. The illness and fatality rates by region are derived from the World Health Organization Global Burden of Disease 2002 estimates. Sub-Saharan estimates are used for product provided for emergency relief efforts since diarrhea rates are typically high during these situations.

The reduction in diarrheal illness from the use of the PŪR sachets is based on the average reduction measured in five randomized, controlled health intervention studies involving more than 25,000 subjects. These independently conducted studies are published in the peer-reviewed literature.

Health Intervention Trials

The U.S. Centers for Disease Control and Johns Hopkins University have conducted five clinical trials of PŪR and proven that it significantly reduces diarrheal illness in children and the total population.

Location/Setting	Study Design	Diarrhea Reduction
Rural Guatemala	2,982 people 52 weeks	24–29%
Rural Guatemala	3,401 people 13 weeks	40–72%
Rural Kenya—turbid water	6,615 people 20 weeks	17–42%
Pakistan—urban setting	12,090 people 39 weeks	59–64%
Liberia—refugee camp	2,191 people 12 weeks	87–95%

The specific assumptions are:

- Each PŪR sachet treats 10 liters of water.
- An average of 1.5 liters of drinking water is used per child per day and 2 liters of drinking water per adult per day.

Diarrhea

- 60 percent of PŪR is consumed by children.
- The number of episodes of diarrhea per child per year is
  – 5 episodes in sub-Saharan Africa.
  – 2.2 episodes in Latin America.
- 40 percent of PŪR is used by adults.
- The number of episodes of diarrhea per adult per year is
  – 0.98 episodes in sub-Saharan Africa.
  – 0.21 episodes in Latin America.
- PŪR use averts 50 percent of the diarrhea episodes.
- A diarrhea episode lasts an average of 7.3 days.

Lives Saved

- The fatality rate per case of childhood diarrhea is
  – 0.001 in sub-Saharan Africa.
  – 0.0002 in Latin America.
- The fatality rate per case of adult diarrhea is
  – 0.0004 for sub-Saharan Africa.
  – 0.00005 in Latin America.

1 BILLION LITERS

The Children's Safe Drinking Water Program celebrated the creation of its one-billionth liter of clean drinking water on April 8 at a rural clinic near Ibadan, Nigeria. Using a packet of water clarification and disinfectant developed by P&G, former P&G Chief Executive Officer, President and Chairman, John Pepper, helped transform cloudy contaminated water into clear, clean drinking water in a matter of minutes before a crowd of local residents and Nigerian officials.

"This milestone event marks both a humanitarian triumph and a technological achievement," said Pepper. "But what really matters is that we are helping to save lives. The Children's Safe Drinking Water Program has provided one billion liters of clean drinking water through a variety of strong partnerships and emergency relief efforts in Africa and around the world. P&G is committed to work with our partners to provide billions more liters of clean drinking water and help address the crisis of children dying needlessly from cholera, typhoid fever, and dysentery."

Mr. Pepper was joined by the First lady of Oyo State, Nigeria, Mrs. Kemi Alao-Akala, who strongly endorsed the efforts to help more than 66 million Nigerians in need of safe drinking water. Officials from Population Services International and their local affiliate, the Society for Family Health, as well as local government officials and NGOs also were in attendance. A local woman who accesses her drinking water from a heavily contaminated well, Mrs. Taiwo Faruna, accepted a year's supply of PŪR packets for her family including her twelve-month-old son, Oluwasegun Faruna, who accompanied her to the ceremony.

P&G's lifesaving technology uses small packets or sachets to disinfect water. Each sachet works like a mini-water treatment plant removing dirt, cysts and pollutants while killing bacteria and viruses in contaminated water in less than 30 minutes, ten liters at a time.

"While we're pausing to celebrate this milestone, we know that it's a drop in the ocean compared to the need. We can't rest while more children are dying from waterborne illness than die from HIV/AIDS and malaria," said Greg Allgood, Ph.D., Director, Children's Safe Drinking Water Program at P&G.

Strategy 4: Employees

Strategy

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

P&G's deep commitment to sustainable development is **evident in the values and actions of our people.**

Values and Policies

As an important part of our Corporate Social Responsibility program, we have released a publication entitled *Our Values and Policies.*

This booklet provides sustainable development guidelines for business conduct that are based on P&G's Purpose, Values and Principles. These key elements are of utmost importance for proper conduct and respect for all individuals in the quest for common prosperity.

Our Values and Policies can be downloaded at:
www.pg.com/company/who_we_are/ppv.shtml

The Global Sullivan Principles

P&G was one of the founding members of the Global Sullivan Principles. In accordance with the Global Sullivan Principles, we support economic growth, social justice, human rights, political justice and equal opportunity wherever we do business in the world. The products we deliver, the consumers we serve and how we serve them are in line with these expectations. We consider ourselves a global company and a global citizen.

At P&G, everything we do begins with our Purpose, Values and Principles. We have reviewed and revised our policies to make sure we are aligned with the Global Sullivan Principles.

We ensure our commitment to our employees through our human resources system and profit-sharing program. Our human resources system trains, educates and develops our people. It offers flexible work arrangements, giving employees the opportunity to meet both business and personal needs. It instills our culture and policies to ensure that everyone is treated fairly and has the opportunity to contribute to our vision and mission. The profit-sharing program provides employees with a stake in the Company's future.

Programs such as these enable us to be a sustainable business and a viable part of the communities in which we do business.
www.thesullivanfoundation.org/gsp/

Human Resources

Human Resources ensures that P&G has the employees, organizational design and work culture to deliver business productivity and to continually improve consumer, employee and shareholder value. They provide recruiting, training, development, diversity, benefits and compensation coordination for the Company.

It is the Company's intent to develop all employees to their full potential. To achieve this goal the following support systems are in place:

- Career discussions, performance appraisals, assignment plans, transfer and promotion plans.
- Informal network support groups.
- Mentoring to provide informal support and guidance, in addition to coaching and training provided by each employee's direct manager.

Employee Privacy

P&G respects employee privacy and dignity. We will only collect and retain personal information from employees that is required for the effective operation of the Company or as required by law. We will keep that information confidential and release it only to those who have a legitimate need to know.

Harassment Policy

P&G is committed to providing a harassment-free work environment. This is the right thing to do not only from a social perspective, but also from a business perspective. It enables our diverse work force to contribute to their highest potential.

We will not tolerate harassment of anyone by anyone—including employees, suppliers, customers, contractors and agencies. Every employee is expected to be proactive in ensuring that the work environment is free from harassment of any kind. Managers of others are responsible for setting clear expectations for acceptable behavior in the workplace.

Wages

P&G supports paying employees a competitive wage, as benchmarked against other leading companies. Consistent with our principle of valuing personal mastery, we reward employees for improving their skills and capabilities.

Benefits

P&G is a recognized leader in employee benefits. The Company's benefits have been developed to help protect the financial security of employees. These benefits include comprehensive coverage for health care, generous vacation and holiday time, and other work/family balance benefits, including flextime, child care leave and less-than-full-time schedules.

P&G CELEBRATES EARTH DAY 2008

Earth Day was celebrated by P&G employees around the world this year, featuring planned activities at 35 sites. With the goal of stimulating sustainability of the planet through research and initiatives, Earth Day 2008 coincided with the Year of Planet Earth, as declared by the United Nations Educational, Scientific and Cultural Organization (UNESCO).

Originally created in 1970 as a U.S.-based environmental protest movement, Earth Day has evolved into a global celebration of the environment and commitment to its protection. The history of Earth Day mirrors the growth of environmental awareness over the last three decades, and the legacy of Earth Day is the certain knowledge that the environment is a universal concern.

Within P&G, activities included tree-planting and clean-up activities in the homes and schools of children, training sessions on sustainability, eco-driving workshops, and booths worldwide displaying how P&G conducts sustainability activities in creative ways. Earth Day posters were a common site among P&G locations worldwide, and a number of teams kicked off new sustainability initiatives.

Some sites used the occasion to organize fundraising efforts, while others asked employees to leave their car at home in favor of alternative transportation. Whatever the mode of celebration, the day succeeded in advancing awareness and engagement among employees around the globe.

Medical

The simple four-word Vision of P&G's Global Medical organization is "Healthy People, Healthy Business". Our company's most important asset is our people. P&G works with its employees to protect and enhance their health and wellbeing. The Global Medical organization advises and assists management and employees to assure a safe, healthy work environment. Global Medical delivers preventive health services to all employees, at all sites. It manages health issues that may affect our people, technologies, and brands.

Since P&G is a principles-driven company, the following Global Medical Priorities drive all of our health systems worldwide:

1. Save a Life (Protect our People)
2. Obey the Law (Protect Company Reputation)
3. Protect Key Technologies (Protect Brand Integrity)
4. Enhance Speed to Market (Support Emerging Technologies and New Business Development)
5. Optimize Employee Performance

All medical standards of performance and standard operating procedures flow directly from specific P&G Principles, Values, compelling business needs, and the Global Medical Priorities.

The percent capability from each area is shown below.

SITES AND TECHNICAL CENTERS CONDUCTING MEDICAL SYSTEMS AUDITS
(percentage)

OTHER FACILITIES CONDUCTING MEDICAL SYSTEMS AUDITS
(percentage)

Healthy Living

In 2006, we launched our global Healthy Living strategy to partner with our employees and their families to preserve and improve the quality of their health and wellness. This represents a major breakthrough in our work on Global Medical's fifth Priority (Optimize Employee Performance). Healthy Living focuses on three primary elements:

- Partnership: P&G is committed to working with our people to preserve and improve their health and wellness. When our people are healthy, that's healthy for our business too.
- Quality: P&G works to improve the quality of the health care delivered to our people through the identification of high quality health care providers and other means.
- Prevention: P&G encourages and facilitates the use of preventive health care by our people. The aphorism that an ounce of prevention equals a pound of cure still very much applies.

We continue to expand and improve our regional Healthy Living initiatives as follows:

Fitness Idol

Meet a New You

P&G Healthy Living Initiative

Fitness Idol for ASEAN, India, and Australasia helps our employees to perform at their peak though a holistic program that supports emotional, mental, physical, and spiritual wellbeing. It provides this support though health risk assessments, health education, and support in improving physical fitness and eating habits. New features for this year include access to personal trainers, nutritional counseling, and physiotherapy support. We've deployed this initiative into Malaysia, the Philippines, Singapore, Thailand, and many sites in India.

China Wellness

P&G Healthy Living Initiative

Our China Wellness initiative, including its recent Fitness Champion challenge, focuses on promoting a high performing organization and work-life effectiveness. It provides our China-based employees with physical fitness events, team competitions, nutritional counseling, emotional health support, and outreach to families on health and wellness issues. Our China Wellness initiative has also been externally recognized. P&G China was recently given the first International Health & Productivity Award by the Institute for Health & Productivity Management.

Korea Wellness

P&G Healthy Living Initiative

Our Korea Wellness initiative helps our employees to ensure emotional, mental, physical, and spiritual wellbeing in order to drive peak performance at work and in personal life.

Wellness Balance

P&G Healthy Living Initiative

Latin America's Wellness Balance promotes healthy lifestyles to help our employees to better manage a complex and demanding work environment. This is done through a holistic program integrating the Employee Assistance Program, health risk assessments, physical examinations, physical fitness promotion, programs for providing healthier food choices in our cafeterias and during meeting breaks, wellness and other health education, yoga/massage/other relaxation tools, and personalized wellness advice from health professionals, nutritionists, and sports trainers.

Blueprint for Healthy Living

P&G Healthy Living Initiative

The USA's Blueprint for Healthy Living initiative offers online tools and telephone support for our employees and family members, age 18 and older, in order to educate and empower our people to make the best health care and lifestyle choices. This initiative works in conjunction with:

- P&G's health care providers,
- Individual site health and wellness programs, and,
- Changes to our USA health benefit plans designed to encourage the use of preventive health services and interventions.

Blueprint for Healthy Living offers a comprehensive set of services, including:

- A Wellness Assessment tool to address physical, emotional, and lifestyle risk,
- Personal Wellness Advocacy programs, which offer education, assistance with lifestyle improvement, and 24/7 counseling from Registered Nurses, and,
- Conditional Management programs with customized guidance on health conditions that cause decreased quality of life, lost work time, and increased health care costs. These programs target important health conditions such as Asthma, Coronary Artery Disease, Congestive Heart Failure, Chronic Obstructive Pulmonary Disease, Depression, and Diabetes.

Recent improvements to Blueprint for Healthy Living include:

- The Low Back Pain Condition Management program has been replaced with a much more comprehensive Musculoskeletal Pain Condition Management program. This expanded program provides personalized assistance from a Registered Nurse not only for low back pain but also for back pain of any type, migraines, rheumatoid arthritis, recurrent tension headaches, osteoarthritis, fibromyalgia, and regional musculoskeletal disorders (e.g., repetitive stress injury or cumulative trauma disorder). The Registered Nurse works not only with the employee or family member but also, if needed, the treating physician, to assure that the treatment plan meets all appropriate standards of quality care.
- The Healthy Heart Wellness Advocacy Program, Cancer-Fighting Wellness Advocacy Program, and Stress Relief Wellness Advocacy Program have also been launched.

Participation in Blueprint for Healthy Living is voluntary, confidential, and free.

We protect the privacy of employee data. All of our medical and medical plan-based employee and family data is highly secured to assure that it remains confidential.

Wellbeing
Personal balance in your professional life

P&G Healthy Living Initiative

Western Europe's Wellbeing helps our employees to reach sustainable peak performance at work while being better able to balance the demands of work and private life. Wellbeing focuses on both the mind and body, and its programs include education in mind/body/soul balance, sports, healthy diet, and healthy sleeping habits. This initiative focuses on providing our people with simplicity and support in seeking information on health and wellness.

Global Diversity

Everyone Valued, Everyone Included, Everyone Performing at Their Peak

Diversity Strategy

Diversity is an intentional choice that creates sustainable competitive advantage. It is implicit in the Company's Purpose and Values, and explicit in the Company business strategy for success. We simply cannot create brands and products to improve the lives of the world's consumers now, and for generations to come, unless we deeply understand and value the diversity of their needs and aspirations. We believe the best way to do this is to have a workforce that reflects the markets and consumers we serve and to fully value and leverage all their experiences, insights and talents. That's why P&G's Corporate Diversity strategy is:

Everyone valued, Everyone included, Everyone performing at their peak™

The good news is that P&G has abundant diversity to leverage as a global organization with on-the-ground operations in nearly 90 countries and employees representing more than 140 nationalities worldwide. The Company's leadership team is very diverse with more than 40 percent of the business-unit presidents from outside the U.S representing 14 different countries. Almost all have managed businesses in at least two major Global regions and most have handled both a developing region and a developed region.

Leadership Focus and Accountability

A.G. Lafley, Chairman of the Board and Chief Executive Officer, holds himself accountable for leading diversity and monitoring progress in every part of our Company. He expects top leadership to hardwire diversity into their business strategies, establish clear expectations and demonstrate personal accountability. This requires top management to show strong, visible leadership, commitment and constant focus in order to achieve diverse leadership and work teams, along with robust systems for ongoing tracking for accountability of diversity progress.

Top executives conduct in-depth diversity reviews annually with organization heads across the business units, to assess progress and reinforce leadership accountability for corrective actions. The top 40 officers in the Company have diversity results tied to their stock options awards, and strong diversity performance influences top ratings. Diversity action plans are developed in each region of the world to reflect the greatest opportunity for advancement of local diversity strategies.

A.G. Lafley expects P&G to be a global leader in diversity and inclusion. Peak diversity performance requires goals and strategies that demand it, an inclusive culture that values it, a tracking system that measures it, and leadership behaviors that inspire it. He expects every employee's engagement and daily support to ensure that diversity and inclusion delivers our intentional outcome, "Everyone valued, Everyone included, Everyone performing at their peak™" in every part of our business.

Talent Support and Development

P&G strives to be the Employer of Choice by building a diverse and fully engaged organization. We attract the best talent from around the globe, leveraging each individual through effective assignment and promotion planning processes, and executing with excellence the critical systems that affect, as well as support, retention of each employee.

We focus on establishing long-term relationships with educational institutions that have diverse populations of highly qualified students. To broaden our candidate base worldwide, we utilize Taleo, our fully global, web-based candidate management system. We supplement our base recruiting efforts by utilizing intern programs such as INROADS, participating in recruiting conferences and by outreach to high school students. We execute special programs such as our Careers in Business Initiative (CIBI) and P&G Marketing, R&D, IDS & Finance Summer/Winter Camps to introduce students to P&G's success competencies. Additional teams are available to help with efforts to recruit women around the globe and minority, military and disabled candidates among others in the United States.

Our foundation systems for ensuring employee retention include effective first-year on-boarding/join-up programs, providing a good match with the first manager, developing coaching/mentoring/advocacy relationships, high-quality challenging work/career plans, training (virtual, classroom and external), and supportive work/life policies and practices. Employee support groups and network teams exist throughout the organization and contribute strongly to effective recruiting, join-up and development efforts. These groups include Women globally and Hispanic, African-American, Asian/Pacific-American, Native American, Gay/Bisexual/Lesbian and Disabled employees in the United States.

Inclusive Culture

P&G leverages all of the special differences in our employees: experience, gender, nationality, ethnicity, age, sexual orientation, differing abilities, religion, leadership and thinking styles. It's essential that we are inclusive of the various aspects of diversity: internally in our work plans, in our partners, and externally with diverse consumers. It is often easier to understand, connect with and value someone similar to us than it is to do the same with people who are different from us. The greater the differences, the harder it can be to behave inclusively—so we strive to be intentional about it, and we strive to make it part of everything we do.

Training, policy and sensing systems are utilized to reinforce development of an inclusive culture. Focused diversity training/learning processes are utilized to equip leaders to value and nurture differences in experiences, styles of leadership and problem-solving/decision-making approaches. All employees have access to supportive and enabling policies and practices in the areas of flexible work arrangements, family care, resource/referral services and wellness management to improve work/life integration and personal productivity. Employee surveys and culture sensing, as well as the diversity leadership networks, provide advisory data and learnings to top leadership about how to be more effective at leveraging local customer/employee practices and perspectives.

Business and Community Partnerships

Improving lives in the countries and communities in which we operate is a long-standing P&G value. We are committed to making a difference in all our communities—from India to Kenya, from Canada to Brazil, from France to Australia. Around the world, P&G and its employees strive to improve lives every day. This has led to a focus on building effective business and community partnerships in areas where we can make a meaningful difference: education, volunteerism to improve the quality of life in our communities, and economic development.

Education is a means of improving quality of life and a pathway to fulfill personal aspirations. P&G supports educational programs, from preschool through college, through financial contributions and mentoring/tutoring programs. The volunteer leadership of P&G employees, who can be counted on to help with virtually every significant community project, greatly enhances the effectiveness of our contributions. Through volunteerism, P&G provides ongoing support, sponsorship and leadership for many civic, cultural and nonprofit organizations across all geographies in which we operate.

P&G is committed to the economic development of minority- and women-owned businesses and suppliers. P&G has one of the oldest supplier diversity programs in the United States, spending more than $2 billion across approximately 2,000 minority- and women-owned suppliers. We also ask our major suppliers to help us meet our long-term objectives by significantly increasing their Supplier Diversity efforts on the business they do with P&G.

Diversity Metrics

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	2008	2007(2)	2006	2005
% FEMALE				
Management	**40.4**	38.9	39.3	38.0
All Other Employees(1)	**38.8**	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	2008	2007(2)	2006	2005
% MINORITIES				
Management	**21.1**	21.1	21.0	19.6
All Other Employees(1)	**19.3**	21.8	18.6	18.7
% FEMALE				
Management	**39.6**	37.9	37.3	36.3
All Other Employees(1)	**38.0**	38.1	39.5	39.6

(1) Administrative, Technical and Plant Technicians

(2) Includes first-time integration of all Gillette employees

P&G Recognition

In 2008, P&G's solid progress in diversity was recognized in many Global and U.S. surveys:

- *FORTUNE's* World's Most Admired Companies (#5 overall; #1 in our industry)
- *FORTUNE's* America's Most Admired Companies (#8 overall, #1 in our industry)
- *DiversityInc's* Top 50 Companies for Diversity (#5 in U.S., Top 5 Among Global Companies)
- *Working Mother Magazine* "100 Best Companies for Working Mothers"
- National Association for Female Executives as one of the Top Companies for Executive Women
- *Working Mother Magazine* as one of the Best Companies for Multicultural Women
- *Careers & the disABLED* Magazine — "Private-Sector Employer of the Year,"
- Human Rights Campaign — Corporate Equality Index Rating of 85
- *Latina Style* Magazine "Top 12 Companies for Latinas to Work For in the U.S."
- *Black Enterprise* "40 Best Companies for Diversity,"
- Great Place to Work surveys in Austria, Finland, Greece, Mexico, India and Spain.

Health and Safety Policy

P&G is committed to having safe and healthy operations around the world. The goals are to protect the lives and health of its employees and communities surrounding its operations, as well as to protect its assets, ensure business continuity and engender public trust. To accomplish this, P&G will:

- Operate facilities safely and ensure processes are safe and healthy for our employees and residents of the surrounding communities. We will accomplish this by following uniform corporate safety standards around the world. Safe operations have been a long-standing part of Company culture, reflecting the belief that our employees are our most important asset.
- Construct our facilities so as not to compromise the safety and health features designed into them.
- Monitor progress toward our objective of preventing injuries, illnesses and incidents. We will continually assess and improve our safety and health technologies and programs.
- Have every employee understand and be responsible for incorporating safe behavior in daily business activities. Every employee is trained to work in a safe and healthy manner.
- Have operating standards, practices, systems and resources in place to implement this policy.

Worldwide Health, Safety & Environment Systems

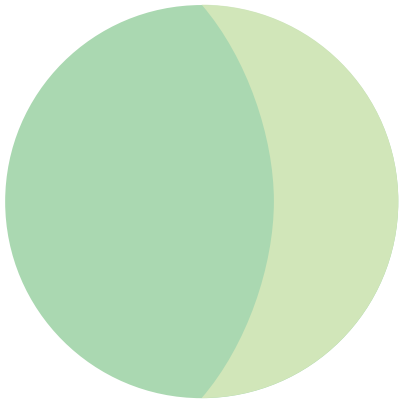
Health, Safety & Environment (HS&E) is a global community of resources responsible for ensuring that all sites — including Technical Centers and acquisitions — worldwide are operated safely and legally; that process hazards are minimized or eliminated; that health risks are identified, managed or eliminated; and that waste from sites is reduced as much as possible. Several thousand employees spend all or a portion of their time on HS&E management. This totals more than 1,154 full-time equivalents, up from 1,120 last year.

Both years of data include Technical Centers. There are three major components to a site's HS&E organization: the base component, which includes Environmental, Technical Safety and Industrial Hygiene & Safety, Fire Protection Systems and Medical Systems.

P&G uses a phased, detailed Risk Assessment process to evaluate the safety of processes and initiatives being introduced at its own manufacturing operations as well as at contractor manufacturing operations. The Risk Assessment process is designed to enable high-speed innovation.

P&G regularly verifies that the Health, Safety & Environment program at all its manufacturing facilities meets the intent of the environmental management standard ISO 14001. In 2006, we extended verification to the Global Health and Safety Management standard OSHAS 18001.

Verification completed in September 2006 was conducted by Environmental Resources Management (ERM), a highly respected international consulting firm in the field of environment, health, safety and sustainability.



UPDATE ON HS&E DATA SYSTEMS

After 10 years of operating our current global HS&E data systems, we have gained a great deal of understanding and experience on what has been successful, and sometimes not so successful, in our databases. We have started to consolidate all the thoughts, processes and improvements in a major rewrite of the system. One of the key parts of the system is the incident tracking.

P&G first started tracking "safety" incidents in the 1930s. Since then we have expanded this system to include not only safety, but also environmental, transportation, process safety, electrical, etc. We feel that incident tracking is critical for a proactive HS&E management system.

The new system allows custom reporting depending on various fields such as class severity or the type of incident. A built-in analysis tool has been added and can be done at any time. The analysis tools have been expanded to find "root" cause, trends, follow-up steps and the capability to group sites in different categories depending on your selection, such as by country or region. One of the strengths is that the worldwide community can see the incidents as soon as they are entered, speeding the knowledge to the sites that can reapply the learning. Customers can also subscribe to receive alerts via e-mail of any type of incidents of their choosing. This allows sites and Technical Networks to identify any trends within their site or technology so it can be addressed swiftly.

Ultimately, the goal of the modification to the HS&E data systems is to streamline the flow of information and to allow this information to be used more effectively to help promote a safer work environment.

Industrial Health and Safety

The health and safety of Procter & Gamble employees are paramount in the principles of the Company:

- *Nothing we do is worth getting hurt.*
- *Safety can be managed.*
- *Every illness and injury could and should have been prevented.*
- *Safety and health are everyone's responsibility.*

The Company tracks and reports two metrics for worker safety—total incident rate (TIR) and total lost workday case rate (LWDC). TIR includes all cases that result in loss of consciousness, lost workdays, restriction of work or motion, medical transfer to another job or medical treatment beyond first aid.

LWDC includes all cases that involve days away from work or days of restricted activity beyond the day of injury or onset of illness.

The TIR target for sites is to be below 1.5 cases per year, per 100 employees. To achieve such rates, programs to address employee safety, such as safe behaviors, ergonomics and confined space entry, have been implemented. No target has been set for LWDC. Instead, incidents that potentially could lead to lost workdays are managed.

The following data is based on criteria established by P&G for use at all sites including acquisitions, plants and technical centers. This year's total incident rate was lower, at .47 versus .49 incidents per 100 employees, while the lost workday case rate also was a little lower, at .24 versus .26 cases per 100 employees.

TOTAL INCIDENT RATE
(injury and illness per 100 employees)

TOTAL LOST WORKDAY CASE RATE
(lost and restricted workday cases per 100 employees)

Audit Programs

P&G's audit programs apply to all its plants and technical centers worldwide, including Wella and Gillette. The fundamental philosophy is to have the same standards worldwide, implemented by trained professionals at all plants and technical centers and audited each year using a consistent, comprehensive approach. The metrics used are consistent with that philosophy. Charts show the performance of Health, Safety & Environment (HS&E) and Fire Protection.

P&G's HS&E audit programs are designed to ensure compliance with national, state and local regulatory requirements as well as corporate environmental standards and procedures. Audit findings are reported promptly to the business management teams, who must address and correct all issues in a timely manner.

The Company reviews its sites on a frequent basis. The graph shows the percentage of sites receiving an audit this year. The percentage of sites audited increased from 89 percent to 94 percent this year.

SITES CONDUCTING ANNUAL AUDITS
(percentage)

Audits measure performance against a mandatory set of standards and standard operating procedures. The target performance is 8 or better on a 10-point scale. We experienced a small decrease from 2007.

SITES WITH HS&E AUDIT SCORES > 8.0
(percentage)

SITES WITH FIRE PROTECTION AUDIT SCORES > 8.0
(percentage)

HS&E Benchmarking

Benchmarking continues to be an important tool used by P&G to assess and maintain the health of its global HS&E program. It provides Corporate HS&E with important external data to verify the robustness of our performance and to identify improved management and technology approaches.

To that end, P&G works with many multi-national as well as European companies to understand their performance in areas such as injury/illness, workers' compensation, property loss and regulatory fines, and HS&E personnel productivity. In addition, we are routinely involved in studies led by GEMI (Global Environmental Management Initiative), with a membership of more than 41 multi-national companies that survey several key HS&E topics. As a result of this work, we have concluded that, compared to other leading companies, P&G has:

- Strong HS&E performance results
  - Injury/illness rate for employees—lowest 25 percent
  - Lost workday rate for employees—lowest 25 percent
  - Penalties paid (in dollars per billion dollars of sales)—lowest 33 percent
  - Property loss (in dollars per billion dollars of sales)—lowest 33 percent
- "Best in class" HS&E operations costs (in dollars per billion dollars of sales) due to shift of more HS&E work to site technicians than most other companies.

While P&G's HS&E situation is quite positive, our long-term challenge is to continue excellent benchmarking results.

Fire Protection

P&G operates its fire protection program on the basic principle that each facility is unique and should have a program designed to meet its specific requirements. The Insurance Division, working with Global Business Unit fire protection leaders and local management, determines the appropriate level of fire protection for each P&G location.

Each facility's program is organized and built around the following key elements:

- Protection Engineering
- Maintenance and Inspections
- Prevention Programs
- Emergency Response
- Qualified Personnel

Each facility has a fire defense profile that describes in detail the program requirements.

Site HS&E Leadership Training

A key indicator of Health, Safety & Environment (HS&E) systems capability is the percentage of sites with trained and qualified leaders. Leadership candidates train on-site for an extended period after attending a week-long seminar where their knowledge and ability to handle specific situations are assessed. For full qualification, the candidates must complete a qualification project at their own plant. Currently, more than 78 percent of sites worldwide have HS&E leaders qualified by Corporate/GBU staffs, and more than 64 percent have qualified fire protection leaders. This training and qualification program applies to all sites, including Technical Centers and acquisitions.

SITES WITH HS&E QUALIFIED LEADERS
(percentage)

SITES WITH FIRE PROTECTION QUALIFIED LEADERS
(percentage)

HS&E Program Costs

There are two aspects of HS&E program costs:

1. Capital costs for new HS&E equipment.
2. People and operating costs for existing facilities.

HS&E capital costs for 2007–2008 were $43 million, flat as compared to last year to ensure compliance in our facilities. This included the purchase and construction of pollution control equipment such as wastewater pre-treatment and air emission controls.

HS&E total costs for existing sites in 2007–2008 increased to $165 million. (This does not include the $47 million in revenue gained from recycling activities.)

HIV/AIDS

Worldwide, 40 million people are infected with HIV/AIDS. Statistics are frightening; it is estimated that someone becomes infected every six seconds.

Infection rates in some African countries run as high as 40 percent of the population. AIDS has become the leading cause of death in sub-Saharan Africa, with more than 28 million people infected. In addition to the many, many lives lost, there are an estimated 14 million children orphaned by AIDS.

HIV/AIDS Policy

All employees, including those who are HIV-infected or have AIDS, are treated consistently with the Company's Purpose, Values and Principles by the Company, their managers and co-workers.

Among other things, that means that each individual is treated with dignity and respect, and that we do not discriminate against any individual based on any difference not related to performance. We treat employees with HIV/AIDS the same as we treat those with other serious illnesses.

Specifically, an employee who is HIV-infected or with AIDS:

- Has the same employment rights and responsibilities as other employees.
- Has the same eligibility for employee benefits and programs, including medical care and disability coverage, as non-infected employees.
- Is afforded privacy and confidentiality protection consistent with the Company's handling of confidential, medical or other sensitive information.
- Is provided management support to remain productive.

With HIV/AIDS impacting sub-Saharan Africa more than any other area in the world, P&G's sub-Saharan organization is leading the Company's HIV/AIDS effort. P&G's effort, which began in 1998, was revised in 2004 to coordinate with the latest national and international developments and standards.

The effort's objectives are to:

- Use employee and family awareness and prevention programs at our African locations to help prevent the spread of HIV/AIDS.
- Offer medical plans that assist employees with HIV/AIDS to get life-prolonging medication, and in some cases supplement these plans with additional Company support.

The workplace portion of the effort consists of the following elements:

- Establishing baseline measurements, such as for knowledge, attitude, perception and disease prevalence.
- Conducting risk analysis and impact assessment, considering issues such as costs to P&G and impact on customers, suppliers, health care facilities.
- Implementing prevention strategies, such as awareness training, voluntary counseling and testing for HIV/AIDS and sexually transmitted disease.
- Implementing wellness programs to keep infected employees as healthy as possible and providing post-exposure prophylactics, anti-retroviral treatment, Nevirapine, vitamins and nutritional supplements and home-based care.
- Evaluating and monitoring the effectiveness of these interventions.
- Assessing and improving Company benefits.

Specific P&G Activities to Fight HIV/AIDS in South Africa

As part of our drive in educating employees about the HIV/AIDS pandemic, we launched a P&G e-care website, where employees can log onto the website and read various topics related to HIV/AIDS Policy. Employees continue to receive news bytes from HealthInsite, which is one of our Health Service providers, on a weekly basis. As we have done since the inception of the program, there are also educational posters that are placed in offices to inform and educate employees about HIV/AIDS.

The company held a Wellness Day during March 2008 with the objective of improving the quality of life and productivity of our employees by not only concentrating on their physical well-being, but also on their psyche.

As part of the Wellness Day and due to the merger with Gillette, we had a Voluntary Counseling and Testing session. Overall, 22.5 percent of our employees were tested. Of the employees tested only a few were positive for HIV/AIDS, which reconfirms our previous data that our infection rate is far lower than national averages. This also confirms that we have adequate resources (e.g., benefits, recruitment and training) to address the impact of the disease.

PŪR and HIV/AIDS

The global response to HIV/AIDS needs to include providing of safe drinking water, and P&G is helping to build awareness of this need as well as providing safe drinking water to people with HIV/AIDS. In sub-Saharan Africa, where HIV/AIDS rates are very high, we are working with a number of partners to provide safe drinking water to help people live positively with HIV/AIDS. People who have HIV/AIDS are more susceptible to water-borne diseases, including parasites, viruses and pathogenic bacteria. P&G's PŪR Purifier of Water effectively removes all of these elements from contaminated water and has become a critical health tool for many people with HIV/AIDS.

Last year at the Clinton Global Initiative, P&G committed to providing a minimum of $1 million in additional funds to provide safe drinking water to people living with AIDS, and plans were implemented to meet that commitment. We are working with Family Health International and PSI in Ethiopia, Christian Children's Fund in Uganda, AMPATH in Kenya and the UNC Med School in Malawi and Congo to provide safe drinking water to people living with AIDS. We also piloted healthy living kits in Haiti and Safe Water and Aids Project (SWAP), Village AIDS Clinics, and Living Missions in Kenya and found a high level of acceptance; focus groups revealed the desire to reduce intake of viruses. Through the Kenyan Red Cross we have leveraged by their home-based care and have found wide acceptance by the community.

P&G participates in HIV/AIDS programs in other parts of the world as well. For example:

- P&G Mexico joined with other large corporations to form a business coalition called Consejo Nacional Empresarial sobre SIDA (National Business Council on AIDS). This coalition was launched on World AIDS Day 2004, with members committed to "eradicate HIV/AIDS discrimination in their workplaces."
- P&G China provides HIV/AIDS awareness and health education by broad e-mail communication, a website and brochures distributed to all employees. We have implemented an awareness program on the annual HIV/AIDS day at our General Office and our plants. HIV/AIDS education is now part of the on-boarding effort for all new employees.

Strategy 5: Stakeholders

Strategy

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

P&G contributes to the **economic and social well-being of a wide range of stakeholders extending beyond our employees.** These stakeholders also include our shareholders, the communities where we operate, and a broader assortment of regional, national and international concerns.

Stakeholders

A stakeholder is anyone who has an interest in or interaction with P&G. Stakeholders can be internal, such as the Company's 138,000 employees and its Board of Directors, or external. External stakeholders include P&G's consumers who use our products 3 billion times a day, our customers and suppliers with whom we do business, our shareholders, and the communities in which P&G people live and work.

Consumers
Consumer Organizations

Shareholders

Business Partners
Retailers, Wholesalers, Distributors, Vendors, Contractors, Suppliers, Advertisers, Trade Unions

Industry Associations
Professional Organizations, Scientific/Medical Communities

Governments
Local, Regional, National; Agencies (such as Health Ministries, Regulatory Boards); Pan-National Commissions (such as EU); Embassies, Diplomatic Missions

NGOs
Health, Social Service, Education, Environment

News Media

Stakeholder Engagement

P&G works hard to be a good corporate neighbor and to improve lives in the communities where we live and work.

Communities

Each P&G production facility has site-specific activities to build constructive relationships with local authorities, local industry associations, residential and business neighbors, local action groups, thought leaders and news media. Depending on individual communities' cultures and interests, this can range from regular official meetings during which new information is shared or questions are answered, to more informal meetings. This could be, for example, a reception for the immediate neighbors, where information on the past year and plans for the new year are discussed. P&G ensures continuity in community interaction by meeting regularly with local authorities to update them on plant news. In the neighborhoods of many P&G operations, the Company cooperates with and sponsors local events, so the whole area benefits from the presence of a P&G site.

P&G recognizes the importance of improving the quality of life in our local communities, and we support local initiatives and encourage employee involvement. The most valuable community support we provide usually involves not only writing a check but also taking advantage of the intellectual capabilities and energy of P&G people. We look for areas where we can make a significant long-term, systemic difference. This leads us to focus heavily on education and health, with special emphasis on youth. It also leads us to build alliances with strategic partners to achieve a better result than we could alone. We look to our people in the area to work with their local communities and government officials to learn where we can make the biggest difference.

EMPLOYEE STORY—LIVE, LEARN AND THRIVE

My name is Marjanne Morre, and I am a member of the management of Stichting Rusland Kinderhulp Rotterdam, P&G's Dutch organization. We provide humanitarian help, mostly to children, in Belarus, a country which was hit hard by the Chernobyl disaster some 20 years ago. A lot of the radioactive radiation came down in Belarus and had a significant effect on the economic situation. As a result, there are a lot of poor families, single-parent families and widespread alcoholism. Our foundation invites groups of 30 children to Rotterdam, Holland, for a period of eight weeks. The children are accompanied by two schoolteachers and stay with host families. On weekdays they visit school and follow their normal school program.

By being in another environment and eating more nutritious food, the children experience an enormous positive effect on their health. They have an opportunity "to be a child," something which is nearly impossible in their home country, since they have to help every day near the house or on the farm.

Our working group has more or less adopted the school in Chernavchitsy, the village where "our children" come from. Every year a group of 10–12 adults travel to Chernavchitsy to work in the school and improve the lives of all the schoolchildren. We have helped build restroom facilities, a playing ground, a sports area for children with disabilities, and a canteen, we have installed many computers to help the children with their English lessons, and are replacing the windows. And we also run an agri-project near school to provide the children with fresh vegetables.

I believe that children are the future, and they have an opportunity to make the world a better place. For me, it is very important to use my organizational skills for children who have far less of a life than my own children. I am very happy that P&G supports our initiative as part of the Company's Live, Learn and Thrive Cause.

Authorities: Local—Regional—Global

P&G communicates with local, regional and global authorities directly, as an individual company, as well as through industry associations. Scientists and legal experts in the P&G External Relations organization review existing and proposed legislation that is relevant to the Company and work with authorities to ensure that policies take the needs and experience of business into account. This is done via meetings with the authorities and comments on their position papers and industry position papers. Activities like these can be very important to ensure that the Company's needs are understood and considered when decisions are being made that can influence P&G's business.

NGOs: Local—Regional—Global

P&G frequently enters into dialogue with nongovernmental organizations (NGOs) to understand their concerns and cares. In order to work constructively with stakeholders, it is essential to have their confidence and to be seen as a reliable and open discussion partner. By building an open relationship we can approach our NGO partners when issues arise. There is a wide range of NGOs varying by area of interest (environmental, consumer, animal welfare, etc.), by attitude (from extreme to moderate) and by their geographic links (from local to global). Depending on their characteristics, a number of NGOs can be seen as the vocal spokespeople for the general public.

Consumer organizations exist in many countries. These organizations contact companies to compare products and voice comments they receive from their members. P&G continuously provides consumer organizations with information on new initiatives and cooperates with them in answering consumer questions.

P&G JOINS PARTNERSHIP TO MAKE FREIGHT TRANSPORT CLEANER

In an effort to make freight transport operations cleaner and more efficient, P&G has joined the SmartWay Transport Partnership. In collaboration with leading organizations and the U.S. Environmental Protection Agency (EPA), P&G hopes the effort will contribute to better air quality and a healthier working environment for employees, customers and business partners.

P&G's contribution to these improvements involves incorporating a number of cost-effective practices and technologies into its distribution center operations. These include the following steps:

- Implementing more efficient designs of distribution centers
- Increasing the use of inter-modal and railroad transport
- Reducing inter-plant truck shipments
- Encouraging all existing carriers to join the SmartWay initiative
- Developing and implementing a sourcing strategy that includes more efficient and environmentally friendlier transportation

By 2012, the SmartWay Transport Partnership expects to eliminate 33 to 66 million metric tons of CO_2 emissions, along with up to 200,000 tons of NO_x emissions. This represents savings of as much as 150 million barrels of fuel per year—equivalent to taking about 12 million cars off the road.

In 2008 alone, the partners are on track to reduce greenhouse gas and pollutant emissions by:

- 6 million tons of CO_2 (carbon dioxide)
- 800 tons of PM (particulate matter)
- 30,000 tons of NO_x (oxides of nitrogen)

The improvements in place are also on track to save over 540 million gallons of diesel fuel, saving the freight industry over $2 billion in annual fuel and maintenance costs.

Ultimately, the partnership is expected to help shape the approach of both industry and government, yielding a mutually beneficial collaborative relationship.

SmartWay℠ Transport Partner
Getting There With Cleaner Air

The SmartWay Transport Partnership expects to eliminate 33 to 66 million metric tons of CO_2 emissions by 2012.

EVENT SHARES SUSTAINABILITY PROGRESS AND OPPORTUNITIES

In January 2008, P&G's Baby Care division in Western Europe held an expert advisory panel on sustainability, consulting with leading sustainability influencers, NGOs, and experts. The event aimed to dive deep into key strengths and opportunities on Baby Care's approach to sustainability, share progress, gain input on the division's strategy, determine how to address carbon footprinting, and identify support to help communicate meaningfully with consumers, customers, and other stakeholders.

The panel yielded insightful consultation that influenced Baby Care's strategy and communications, and future direction. The group received support for its Sustainability Strategy, gained traction on its emerging communication plans, and achieved strong agreement on how to address carbon footprint and labeling. Baby Care will continue to further nurture and build on its relationship with participating panelists.

Consumers

At P&G, we are dedicated to meeting the needs of our consumers by providing products and services that can help improve their lives. The concept of "Consumer is Boss" is fundamental throughout the development and marketing of our products. We set out to delight consumers by launching only new products and product improvements that genuinely meet their needs. Before establishing a project for a new product or product improvement, P&G technologists research consumer needs in depth to identify and understand those needs that are not adequately met today.

Once a product is launched, our commitment to our consumers does not stop there. For P&G, every consumer's experience in choosing, buying or using one of our products can provide vital insights to help us further improve our products and services. So we encourage consumers to contact our Global Consumer Relations team. We want to hear about our consumers' experiences with our products—good and bad!

Last year we heard from over 8 million consumers who wanted to ask us something about our products or our Company. We proactively offer "traditional" contact channels—phone, letter, e-mail—to consumers, but we are also very aware that consumers' lives are changing (we are consumers too!). Life is getting busier, and we want to be able to access the right information on our terms, which may be very early in the morning, or in the middle of the night. So we have invested in technology, which has already been deployed for some of our major brands, where consumers can access key information on a 24/7 basis, i.e., on their terms. Of course, we continue to offer the well-established Careline Services where consumers can talk to or communicate with an experienced advisor, but we also enable consumers to find vital information on our brands using e-mail and telephony technology "out of hours." This has been a huge success, and has actually enabled us to interact with even more of P&G's consumers in the last fiscal year, which provides more insights for our Product Development and Marketing teams to help further improve our products and services.

We are also innovating in how we ensure that these important insights from our consumers get to our business teams. Consumers who take the time to contact a company for advice or ask for help to resolve a problem provide valuable insights into our products, which can really help us develop our business by improving our brands. So we need to make sure that our consumer's voice is heard in P&G. We do this by using a range of different tools and technologies—whatever best meets the business team's need, and therefore gives our consumer the best chance to be heard. We use reports and data, but we also use carefully edited sections of some actual consumer calls, e-mails and letters—edited to ensure that none of the consumer's personal information is disclosed—so we feel the power of a "real" consumer's voice.

In Global Consumer Relations, we recognize that the world is changing and we are investing in innovative technology to better serve our consumers. We are privileged that consumers care enough about our products to contact us.

Advertising and Promoting to Consumers Appropriately

The Company does not permit its advertising or promotions for its products to be false or misleading. What are some situations that raise concerns?

- Exaggerated or unsupported advertising claims are made to compete with a competitor that is doing the same.
- Incomplete, inadequate or misleading disclosures in Company advertising leading consumers to infer an incorrect, unsupported conclusion.
- Advertising is distributed to the public before testing supporting the claims made in the advertising has been completed.

What are P&G's Worldwide Business Conduct Standards for Advertising?

- Do tell the truth in Company advertising and promotions.
- Don't make a substantive claim about a Company product, or a competitor's product, or a comparison with a competitor's product, that has not been substantiated through objective product testing based on sound statistical and scientific principles.
- Don't run any advertisement or promotion that has not been reviewed by appropriate Company Legal personnel.

Once a product is launched, our commitment to our consumers does not stop there.

Principles for Developing Environmental Sustainability Claims

These principles are intended to provide guidance for the development of environmental sustainability claims.

1. Claims must be truthful, data based, and defensible. Claims must be supported by sound and transparent assumptions, good science, and have sufficient data to substantiate the claim.

2. Claims should be a specific statement of facts and should not exaggerate attributes or benefits. Avoid the use of broad, unqualified, and hard to define claims.

3. Claims should reflect lifecycle thinking. The claimed benefit should not be outweighed by other environmental burdens or negative attributes of the product/packaging elsewhere in its lifecycle.

4. Any environmental benefit claimed on a product must be a meaningful benefit for consumers, customers, or external stakeholders.

5. Claims should not misleadingly exploit environmental requirements needed for regulatory or legal compliance.

6. Claims should be supported by data on both recommended and actual usage if these are known to differ.

7. Environmental benefits may be translated into other indicators which are more telling for consumers, as long as the translation is based on factual equivalents and does not exaggerate the benefit the product actually provides.

8. The claim must not be worded in a way that denigrates products not carrying the claim (including other P&G brands).

9. Presence/absence of specific ingredients may be used only when claims do not denigrate products carrying the ingredients and only when presented in a neutral and informative way.

10. The product carrying an environmental claim must not be labeled as dangerous for the environment.

11. Claims must avoid sensitive External Relations issues.

12. All claims must comply with relevant local regulatory/legal requirements.

13. All environmental sustainability claims must pass through the normal claim approval systems.

Sustainability Guidelines for Supplier Relations

The foundation of our Sustainability Guidelines for Supplier Relations is our Statement of Purpose, Values and Principles. We operate within the spirit and letter of the law and maintain high ethical standards wherever we conduct business. We will actively seek business relationships with suppliers who share our values and promote the application of these high standards among those with whom they do business.

The Sustainability Guidelines for Suppliers can be downloaded at: **www.pgsupplier.com/PURCH_Supplier_Guidelines.htm**

Summary of our supplier guidelines:

1. We expect our suppliers to comply with all applicable laws of their country, including laws relating to employment, discrimination, environment, and health and safety. Suppliers who knowingly violate laws or have repeated problems conforming to them will not receive our business.

2. Commercial bribery is illegal and subject to criminal penalties in many countries, including the United States. Any personal payment or bribe to individuals employed by P&G's customers or suppliers, or receipt of a bribe or personal payment by P&G employees is strictly prohibited. Even in locations where such activity may not, technically speaking, be illegal, it is absolutely prohibited by Company policy.

3. P&G supports universal human rights, particularly those of our employees; the communities within which we operate; and the parties with whom we do business. In our business award decisions, we will continue to place substantial value upon incumbent and potential suppliers who consistently respect basic human rights.

4. P&G utilizes fair employment practices, as well as strives to provide a safe, healthy and productive work environment for its employees. The Company respects employees' right to freedom of association, third-party consultation and collective bargaining where allowed by law. The Company expects suppliers to uphold the same standards. Specifically:

- We will not conduct business with suppliers employing child, prison, indentured or bonded labor, or using corporal punishment or other forms of mental and physical coercion as a form of discipline.
- We expect suppliers to conduct their business without unacceptable worker treatment such as harassment, discrimination, physical or mental punishment, or other forms of abuse.
- At a minimum, we expect our suppliers to comply with all applicable wage and hour laws, and rules and regulations, including minimum wage, overtime and maximum hours.
- We expect suppliers to provide a safe work environment, to prevent accidents and injury, and to minimize exposure to health risks.
- We seek to do business with suppliers who share our concerns for and commitment to preserving the environment. At a minimum, suppliers must meet all current, applicable environmental rules, regulations and laws in their countries.

The management system is owned by the Global Vice President—Purchasing and has three components:

Communicate: All purchasing personnel who interface with suppliers are trained on the supplier guidelines and how to conduct supplier assessments. We communicate the guidelines to our suppliers once a year and reinforce our expectations in our contracts. This makes compliance with the guidelines a condition of business and therefore grounds for disqualification for all new and ongoing supply agreements.

Check: Ongoing periodic performance assessments are done as part of regular commercial and technical supplier visits. Emphasis is placed on suppliers that are high-risk because of country of operation or potential hazard. In addition to these internal assessments, we have third-party assessments to identify areas for improvements. Last year we completed a set of third-party assessments in Asia, Eastern Europe and Latin America, and this year we conducted some additional third-party assessments in China. We also upgraded our training material with better examples of potential outages as part of our ongoing training of internal purchasing personnel.

Correct non-compliance: When potential non-compliance issues are identified, they are communicated to the supplier as part of the closing meeting. Corrective actions including formal notification and a remediation action plan are then implemented. In some cases we require immediate action to achieve compliance, or we halt business. These include child labor or forced labor, and egregious health and safety violations presenting immediate danger to human health. If a compliance issue is not resolved in a timely manner, the business relationship is terminated.

Supplier Diversity Program

In 1972, P&G established a program to identify and work with minority-owned businesses in the United States. Today, the Supplier Diversity Initiative is a fundamental business strategy which identifies and works with minority- and women-owned businesses. The Global Vice President—Purchasing serves as Executive Sponsor.

Minorities continue to become a more substantial part of America's population, and women continue to be P&G's key consumer base. As such, P&G is committed to remain at a leadership level because it is good for our business and good for the health of the U.S. economy. In 2007–2008, spending was more than $2 billion across approximately 2,000 minority- and women-owned suppliers. This is the fourth year in a row that P&G has exceeded $1 billion in spending.

Awards and Recognition

P&G is recognized as a leading global company:

- #5 ranking on *FORTUNE's* "Global Most Admired Companies"
- #8 ranking on *FORTUNE's* "America's Most Admired Companies"
- #2 ranking on *FORTUNE's* "Top Companies for Leaders" survey
- #2 ranking on *Barron's* "World's Most Respected List"
- #8 ranking on *Business Week's* list of "World's Most Innovative Companies"
- Listed on the *Dow Jones Sustainability Index* through 2008
- Listed on the *FTSE 4 Good Index*
- 2008 recipient of the European Business Award for Corporate Sustainability
- "Advertiser of the Year" award at the 2008 *Cannes International Advertising Festival*
- Consistent #1 ranking within our industry on *FORTUNE's* Most Admired list for 23 of 24 total years and for 11 years in a row.

P&G ranks among the top companies for Executive Women (National Association for Female Executives), African Americans (*Working Mother* and *Black Enterprise* magazines), and Diversity (*Diversity Inc.* magazine).

Supplier diversity is a fundamental business strategy at P&G. In 2008, P&G again spent over $1.9 billion with minority- and women-owned businesses. Since 2005, P&G has been a member of the Billion Dollar Roundtable, a forum of 14 corporations that spend more than $1 billion annually with diverse suppliers.

FTSE4Good

Dow Jones Sustainability Index
Member 2007/08

Personal Information Privacy

Advances in computer technology have made it possible for detailed information to be compiled and shared more easily and cheaply than ever, around the globe. That can be good news for society as a whole and for individual consumers.

At the same time, as personal information becomes more accessible, each of us—companies, associations, government agencies, consumers—must take precautions against misuse of that information. Several countries already have laws protecting consumers from misuse of their personal information, and many others are following suit.

P&G places high priority on safeguarding people's personal information. Even in countries without privacy legislation, we still adhere to our privacy policy. We want to have the trust of consumers and all others who do business with us, including employees, shareholders, retail customers and recruitment candidates.

P&G's robust privacy program is managed by a Global Privacy Council. Our first objective is to protect an individual's personally identifiable information as if it were our own. All outside companies handling data on our behalf are required to abide by our privacy principles. Third-party companies can access our privacy and security guidelines on **www.pgsupplier.com**.

Externally, P&G has been a strong advocate of work within the industry to protect the privacy of consumers. For example, P&G has been a leader in the effort to make privacy notices more consumer-friendly and has recently made our online marketing statement available in 39 languages.

For more information on P&G's global privacy principles, please visit: **www.pg.com/company/our_commitment/privacy_policy/privacy_policy.jhtml**

P&G adheres to U.S./European Union Safe Harbor principles. For more information, visit: **www.export.gov/safeharbor/**

In the United States, P&G is an active participant in the Better Business Bureau Reliability and Privacy Seal Program.

Principal Industry and Business Associations

P&G holds membership in many industry, business and environmental associations whose activities are related to the Company's.

Europe, Middle East and Africa

- Advertising Associations: WFA—World Federation of Advertising
- Chemical Industry Associations: CEFIC—European Chemicals Industry Association; DUCC—Coalition of Downstream Users
- Cosmetics Industry Associations: COLIPA—Cosmetics & Fragrances Industry
- Detergent Industry Associations: AISE—Association Internationale de la Savonnerie de la Detergence et des Produites d'Entretien
- Employer Associations: Business-Europe
- Environmental Associations: ECETOC—European Center for Ecotox and Toxicology of Chemicals; EUROPEN—The European Organization for Packaging and the Environment
- Euro/American Business Associations: AECA—American European Community Associations; EU Committee of AmCham
- Food Associations: CIAA—European Food Industry Association; CIES—Food Business Forum
- Grocery/Brand Associations: AIM—European Brands Association
- Multistakeholder Associations: EPE—European Partners for the Environment
- Paper Associations: EDANA—European Industry of Non-Woven Products; HAPCO—European Industry of Hygiene Paper Products
- Pet Food Industry Associations: PFMA—Pet Food Manufacturers Association
- Pharmaceutical Associations: AESGP/OTC Manufacturers Association; FPIA—Pharmaceutical Industry Association

North America

- American Chemical Society
- American Legislative Exchange Council
- Association of National Advertisers
- Business for Social Responsibility
- Business Roundtable
- Canada's Research-Based Pharmaceutical Companies
- Canadian Chamber of Commerce
- Canadian Chemical Producers Association
- Canadian Manufacturers and Exporters
- Canadian Consumer Specialty Products Association
- Canadian Cosmetic, Toiletry and Fragrance Association
- Consumer Specialty Products Association
- Consumer Health Products Association
- CSR Canada—Corporations Support Recycling
- Food and Consumer Products Manufacturers of Canada
- Global Environment Management Initiative
- Grocery Manufacturers of America
- Keep America Beautiful
- National Conference of State Legislatures
- National Environmental Development Association
- National Food Processors Association
- Non-Prescription Drug Manufacturers Association of Canada
- Personal Care Products Council
- Pharmaceutical Researchers and Manufacturers of America
- Soap & Detergent Association
- Soap & Detergent Association of Canada
- The Council of State Governments
- U.S. Council for International Business
- Water Environment Research Foundation

Latin America

- ABIPLA — Brazilian Association of Household Cleaning Products
- ANALJA — Colombian Soaps and Detergent Manufacturers Association
- Argentinian National Industry Association
- ASOQUIM — Venezuelan Association of the Chemical Industry
- CANIPEC — Mexican Association of the Cosmetics and Perfumes Industry
- Cámara Nacional de la Industria de Aceites, Grasas, Jabones y Detergentes, Mexico
- Cámara Nacional de las Industrias de la Celulosa y del Papel
- Confederación Patronal de la República Mexicana
- CONCAMIN — Confederación de Cámaras Industriales
- Asociación Nacional de la Industria Química, Mexico
- AMECE — Asociación Mexicana de Estandares para el Comercio Electronico
- Asociación Mexicana de Fabricantes de Pañal Desechable y Similares, A.C. (AMPADE)
- CONAR — Consejo de Autorregulación y Etica Publicitaria, Mexico
- COMCE — Consejo Mexicano de Comercio Exterior
- CONMEXICO — Consejo Mexicano de la Industria de Productos de Consumo
- CAVEME — Venezuelan Pharmaceutical Products Association
- CEVEDES — Venezuelan Business Council for Sustainable Development
- ANDA — Venezuelan Association of Advertisers
- CONINDUSTRIA — Industrial Confederation of Venezuela
- CONAR — Chilean Advertising Self-Regulation and Ethics Council
- SOFOFA — Manufacturers Industry Association
- Chamber of the Cosmetic Industry of Chile
- AmCham — Chilean American Chamber of Commerce
- Chilean — Brazilian Chamber of Commerce
- ANDA — National Advertisers Association Chile
- Latin America Federation of Waste Management
- Peru — Sociedad Nacional de Industrias

Asia

- State Committee of Cosmetic Industry
- Asia/Pacific Economic Cooperation
- Australian Consumer & Specialty Products Association
- China — AmCham
- China — CC of Foreign Invested Enterprises GZ
- China — Academy of Environment Science
- China — Association of Enterprises with Foreign Investment
- China — Association of Fragrance, Flavor and Cosmetic Industry
- China — Daily Use Groceries Association
- China — Detergent Products Industry Association
- China — Environmental Health Safety Roundtable
- China — Association of Surfactant, Soap and Detergent Industries
- China — Hygiene Supervision Magazine
- China — Hygienic Material & Technology Association
- China — National Household Paper Industry Association
- China — Standardization Association
- China — Standardize Technological Consulting Service Center
- China — China Toothpaste Industry Association
- China — GD Associated Net for Anti-Counterfeit & High-Quality Protection
- China — GD Fragrance Flavor Cosmetic Branch of GD Light Industry Association
- China — Guangdong Quality Magazine
- China — Guangdong Quality Management Association
- China — Guangzhou Municipal Foreign Trade Investment Law Association
- China — Guangzhou Municipal Lawyers' Association
- China — Guangzhou Quality Inspection Association
- China — Guangzhou Trademark Association
- China — GZ "Three" Associations of Economic & Technological Development District
- China — GZ Association of Enterprises with Foreign Investment
- China — GZ Education Fund Association
- China — GZ Industry & Commerce Administration Management Institute Branch of Foreign Investment
- China — Living Use Paper Specialized Committee of China Paper Making Institute

- China — National Bar Code Association
- China — National Environment Hygiene Standard Specialized Committee (MOH)
- China — Perfume / Fragrance Magazine
- China — Quality Management Association
- China — State Committee of Cosmetics Industry Standardization (SBQTS)
- China — State Technical Committee of Paper Making Industry Standardization
- China — State Technology Committee of Food Industry Standardization
- China — Tianjin Association of Enterprises with Foreign Investment
- Hong Kong — The Cosmetic and Perfumery Association of Hong Kong
- Hong Kong — The Hong Kong Association of the Pharmaceutical Industry
- India — Associated Chambers of Commerce and Industry of India
- India — Confederation of Indian Industry
- India — Federation of Indian Chambers of Commerce and Industry
- India — Feminine & Infant Hygiene Association
- India — Indian Soap & Toiletries Makers' Association
- Indonesia — Indonesian Cosmetics Association
- Indonesia — Indonesian Food & Beverage Industry Association
- Indonesia — Indonesian Moslem Scholar Association
- Indonesia — Indonesian Pulp & Paper Association
- Indonesia — Indonesian Tissue Paper Association
- Indonesia — National Standardization Body
- Indonesia — Pharmaceutical Industry Association
- Japan — Japan Cosmetic Industry Association
- Japan — Japan Health and Nutrition Food Association
- Japan — Japan Hygiene Product Industry Association
- Japan — Japan Soap and Detergent Association
- Japan — Pharmaceutical Association of Japan
- Korea — American Chamber of Commerce
- Korea — Association for Fair Trade of Tissue & Hygiene Products
- Korea — EU Chamber of Commerce
- Korea — Korea Chemical Management Association
- Korea — Korea Cosmetics Industry Association
- Korea — Korea Food Industry Association
- Korea — Korea Food Traders Association
- Korea — Korea Hygiene Paper Product Association
- Korea — Korea Paper Manufacturers' Association
- Korea — Korea Pharmaceutical Trade Association
- Malaysia — American Malaysian Chamber of Commerce (AmCham)
- Malaysia — Federation of Malaysian Manufacturers — FMM Food Manufacturer
- Malaysia — Malaysian International Chamber of Commerce and Industry — MICCI
- Malaysia — The Cosmetic, Toiletry & Fragrance Association of Malaysia — CTFA
- Philippines — Soap & Detergent Association of the Philippines
- Philippines — Cosmetic, Toiletry & Fragrance Association of the Philippines
- Singapore — The Cosmetic, Toiletry & Fragrance Association of SIngapore — CTFAS
- Taiwan — Taiwan Cosmetic Industry Association
- Taiwan — Taiwan Paper Industry Association
- Taiwan — Taiwan Soap & Detergent Industry Association
- Thailand — Federation of Thai Industries
- Thailand — Thailand Soap & Detergent Association

Worldwide

- Conference Board
- International Chamber of Commerce
- Society of Environmental Toxicology and Chemistry
- World Business Council for Sustainable Development

Index

This is the tenth Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 2007, through June 30, 2008. Financial information is given in U.S. dollars.

This report was prepared using the Global Reporting Initiative's (GRI) G3 Reporting Guidelines. The mission of the GRI is to promote international harmonization in the reporting of relevant and credible corporate economic, environmental and social performance information to enhance responsible decision making. The GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein.

For further information about the GRI, **www.globalreporting.org**

For the latest P&G news, in-depth information on P&G's brands, and for shareholder and career information, please visit **www.pg.com**

Standard Disclosures G3 Index

GRI Indicator	Description	Page(s)
1. STRATEGY AND ANALYSIS		
1.1	Statement from the most senior decision-maker of the organization.	3
1.2	Description of key impacts, risks, and opportunities.	4, 20–94
2. ORGANIZATIONAL PROFILE		
2.1	Name of the organization.	21
2.2	Primary brands, products, and/or services.	22–33
2.3	Operational structure of the organization.	28–33
2.4	Location of organization's headquarters.	21
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	30–32
2.6	Nature of ownership and legal form.	21
2.7	Markets served.	21
2.8	Scale of the reporting organization.	21–24
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	25
2.10	Awards received in the reporting period.	94
3. REPORT PARAMETERS		
Report Profile		
3.1	Reporting period.	21
3.2	Date of most recent previous report (if any).	Financial Year 2006/2007
3.3	Reporting cycle (annual, biennial, etc.).	Annual
3.4	Contact point for questions regarding the report or its contents.	*sustainrep.im@pg.com*
Report Scope and Boundary		
3.5	Process for defining report content.	4
3.6	Boundary of the report.	38, 49
3.7	State any specific limitations on the scope or boundary of the report.	38, 49
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	49
3.9	Data measurement techniques and the bases of calculations.	38
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	38, 49
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	25, 38, 49
GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report.	99–104
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report.	98
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
Governance		
4.1	Governance structure of the organization.	34–36
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	3

N/A = Not applicable. P&G only reports on data that is relevant to the business. It does not collect data that is used solely for the sustainability report.

GRI Indicator	Description	Page(s)
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. State how the organization defines 'independent' and 'non-executive.'	35
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	35
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance.	35
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	35
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	35
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	3, 4, 26–27
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance.	35
4.10	Processes for evaluating the highest governance body's own performance.	35
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	41–43
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	54, 74
4.13	Memberships in associations.	95–97
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organization.	86–97
4.15	Basis for identification and selection of stakeholders with whom to engage.	86–94
4.16	Approaches to stakeholder engagement.	86–94
4.17	Key topics and concerns that have been raised through stakeholder engagement.	86–94
5. ECONOMIC PERFORMANCE INDICATORS		
Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. (Core)	24, 61
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change. (Core)	42, 54
EC3	Coverage of the organization's defined benefit plan obligations. (Core) Also see financial report *www.pg.com/investors/annualreports.jhtml*	75
EC4	Significant financial assistance received from government. (Core) See financial report *www.pg.com/investors/annualreports.jhtml*	N/A
Market Presence		
EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation. (Additional)	75
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. (Core)	25
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. (Core)	78–79
Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. (Core)	59–72
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts. (Additional)	60–61

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GRI Indicator	Description	Page(s)
6. ENVIRONMENTAL		
Materials		
EN1	Materials used by weight or volume. (Core)	49
EN2	Percentage of materials used that are recycled input materials. (Core)	49
Energy		
EN3	Direct energy consumption by primary energy source. (Core)	49, 52
EN4	Indirect energy consumption by primary source. (Core)	49, 52
EN5	Energy saved due to conservation and efficiency improvements. (Additional)	51–52
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. (Additional)	12, 14, 39, 42
EN7	Initiatives to reduce indirect energy consumption and reductions achieved. (Additional)	12, 42
Water		
EN8	Total water withdrawal by source. (Core)	49, 53
EN9	Water sources significantly affected by withdrawal of water. (Additional)	N/A
EN10	Percentage and total volume of water recycled and reused. (Additional)	49, 53
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. (Core)	N/A
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. (Core)	41–43, 45–46
EN13	Habitats protected or restored. (Additional)	N/A
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity. (Additional)	41–43, 45–46
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations by level of extinction risk. (Additional)	N/A
Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight. (Core)	49–54
EN17	Other relevant indirect greenhouse gas emissions by weight. (Core)	49–54
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)	4–5, 8–14, 40, 42, 49–52, 54, 56, 58
EN19	Emissions of ozone-depleting substances by weight. (Core)	49, 53, 56
EN20	NO_x, SO_x, and other significant air emissions by type and weight. (Core)	49, 53, 56
EN21	Total water discharge by quality and destination. (Core)	49, 56
EN22	Total weight of waste by type and disposal method. (Core)	49–51, 55–56
EN23	Total number and volume of significant spills. (Core)	57
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. (Additional)	49–50, 56–57
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. (Additional)	N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (Core)	8–15, 40–46
EN27	Percentage of products sold and their packaging materials that are reclaimed by category. (Core)	49, 56
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. (Core)	57
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. (Additional)	11, 88
EN30	Total environmental protection expenditures and investments by type. (Additional)	58, 83–84

N/A = Not applicable. P&G only reports on data that is relevant to the business. It does not collect data that is used solely for the sustainability report.

GRI Indicator	Description	Page(s)
7. LABOR PRACTICES AND DECENT WORK		
Employment		
LA1	Total workforce by employment type, employment contract, and region. (Core)	21
LA2	Total number and rate of employee turnover by age group, gender, and region. (Core) *Note: We do not track this information globally*	N/A
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. (Additional)	N/A
Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements. (Core) Also see *http://www.pg.com/company/who_we_are/ppv.shtml*	74
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. (Core) *Note: We abide by local legislation and our PVPs.*	N/A
Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. (Additional)	81–82
LA7	Rates of injury, occupational diseases, lost day's, absenteeism and total number of work-related fatalities, by region. (Core)	81–82
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. (Core)	76–78, 84–85
LA9	Health and safety topics covered in formal agreements with trade unions. (Additional) Also see *http://www.pg.com/company/who_we_are/ppv.shtml*	81–82
Training and Education		
LA10	Average hours of training per year per employee-by-employee category. (Core)	75, 79
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	75, 79
LA12	Percentage of employees receiving regular performance and career development reviews. (Additional)	75, 79
Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core) Also see Proxy Statement *www.pg.com/investors/annualreports.jhtml*	80
LA14	Ratio of basic salary of men to women by employee category. (Core)	26, 75
8. HUMAN RIGHTS		
Investment and Procurement Practices		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that underwent human rights screening. (Core)	93
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. (Core)	93
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Additional)	N/A
Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken. (Core)	75

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GRI Indicator	Description	Page(s)
Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk, and actions taken to support these rights. (Core) Also see *http://www.pg.com/company/who_we_are/ppv.shtml*	74–75, 93
Child Labor		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. (Core)	74–75, 93
Forced and Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor. (Core)	74–75, 93
Security Practices		
HR8	Percentage of security personnel trained in the organization's polices or procedures concerning aspects of human rights that are relevant to operations. (Additional)	N/A
Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken. (Additional)	N/A
9. SOCIETY		
Community		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. (Core)	57, 81–84
Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption. (Core) Also see Worldwide Business Conduct Manual *www.pg.com/company/our_commitment/corp_gov*	34
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures. (Core) Also see Worldwide Business Conduct Manual *www.pg.com/company/our_commitment/corp_gov*	34
SO4	Actions taken in response to incidents of corruption. (Core) Also see Worldwide Business Conduct Manual *www.pg.com/company/our_commitment/corp_gov*	34
Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying. (Core)	36
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. (Additional)	36
Anti-Competitive Behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. (Additional)	N/A
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. (Core)	57

N/A = Not applicable. P&G only reports on data that is relevant to the business. It does not collect data that is used solely for the sustainability report.

GRI Indicator	Description	Page(s)
10. PRODUCT RESPONSIBILITY		
Consumer Health and Safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. (Core)	41–43
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes. (Additional)	N/A
Product and Service Labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. (Core)	22
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. (Additional)	N/A
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. (Additional)	90–92
Marketing Communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	91–92
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes. (Additional)	N/A
Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. (Additional)	N/A
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. (Core) *Note: We do not track this information Globally*	N/A

N/A = Not applicable. P&G only reports on data that is relevant to the business. It does not collect data that is used solely for the sustainability report.

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