P&G

Designed to Matter

2009 Sustainability Overview

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About this publication

This is the eleventh year that P&G has reported on its Sustainability efforts. Sustainability remains embedded in everything we do, representing both an important responsibility and a significant opportunity.

This publication details the progress we've made on our strategies in this area, devoting one section to each. Throughout, it illustrates the ways our people and processes have delivered Sustainability outcomes.

To view our online report, which was prepared using the Global Reporting Initiative's (GRI) G3 Guidelines, please visit www.pg.com/sustainability.

P&G has been a member of the FTSE4Good and Dow Jones Sustainability Index (DJSI) since their inception. In addition, P&G was added to the Global 100 list of the world's most sustainable corporations in 2009.

MOST SUSTAINABLE CORPORATIONS GLOBAL 100

FTSE4Good

Dow Jones Sustainability Indexes Member 2009/10

Data in this report covers the period from July 1, 2008, through June 30, 2009. Financial information is given in U.S. dollars.

At P&G, we focus our Sustainability efforts on improvements that matter, to make the most meaningful impact we can.

Our commitment begins with P&G's Purpose, Values and Principles, in which Sustainability is embedded, and manifests itself in a systemic and long-term approach.

We strive to make our actions matter.

Our five Sustainability strategies:

Strategy 1: Products

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

Strategy 2: Operations

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

Strategy 3: Social Responsibility

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

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.

CEO Statement

P&G is 172 years old this year. Our Company has grown through multiple recessions and the Great Depression. We've navigated through wars, economic crises, and the unrelenting pace of change that has accelerated dramatically in recent decades. Through all this volatility, the one factor above all others that has enabled P&G to grow responsibly is the clarity and constancy of P&G's Purpose—to touch and improve consumers' lives with branded products and services.

In fact, our growth strategy for the coming decade is linked tightly to our Purpose. We will grow P&G's business by touching and improving more consumers' lives in more parts of the world…more completely.

To execute this strategy and fulfill the Company's Purpose, we must grow responsibly and sustainably. As a result, Sustainability is at the heart of P&G's business model. Keeping Sustainability at the core of our business fuels innovation and strengthens our results.

When I was named Executive Sponsor for Sustainability at P&G and then subsequently named CEO, many questioned whether or not I would remain the Sustainability sponsor. For me, this was never a question. We're a company that focuses on growth now and for generations to come, and therefore Sustainability should and will be a focus area for me.

…Touch and improve the lives of the world's consumers, now and for generations to come.

At P&G, we are focusing our Sustainability efforts on building long-term capabilities for the Company. That's why the theme of this report is "Designed to Matter." We design our strategies and plans to ensure that the work we do makes a meaningful difference—in the environmental footprint of our products and operations, in areas of the world where people most need our help, and in the lives of our employees and external partners. We bring the power and scale of our brands and our people—our two most important assets—to solve real problems facing the world. It's been a part of our culture for decades.

This past March, despite the economic environment and in recognition of the progress we've already made, we increased each of our previously established 2012 goals. Then in September, to enhance our social commitment, we further increased our goal for providing safe drinking water in the developing world by another 1 billion liters, for a total of 4 billion liters by 2012. This will prevent 160 million days of disease and save thousands of lives. On the environmental side, I endorsed the *Copenhagen Communiqué on Climate Change,* which calls for an effective and equitable international framework to address climate change. Within P&G, we are focusing our own efforts on reducing greenhouse gas emissions and innovating and educating to impact consumer behavior. As I hope these recent actions help to illustrate, our commitment to touch and improve the lives of the world's consumers, now and for generations to come, is stronger than ever.

Bob McDonald
President and Chief Executive Officer

P&G REPORT CARD: 2012 SUSTAINABILITY GOALS

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

Strategy 1: Products

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

PROGRESS (in billions of U.S. dollars)	Cumulative Sales since July 2007
Cumulative sales of sustainable innovation products	**$13.1**

Strategy 2: Operations

GOAL Deliver an additional 20% 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 50%.

PROGRESS (percent reduction per unit production)	Since July 2007	Since July 2002
Energy Usage	**-11%**	-48%
CO_2 Emissions	**-10%**	-52%
Waste Disposal	**-30%**	-53%
Water Usage	**-13%**	-52%

Strategy 3: Social Responsibility

GOAL Enable 300 million children to Live, Learn and Thrive.[2] Prevent 160 million days of disease and save 20,000 lives by delivering 4 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	**135 million**
CHILDREN'S SAFE DRINKING WATER	
Liters of Clean Water Delivered	**930 million**
Days of Disease Prevented	**39 million**
Lives Saved	**>5,200**

(1) Sustainable Innovation Products are included if they have launched in market since July 1, 2007, and have a >10% reduction in one or more of the following indicators without negatively impacting the overall Sustainability profile of the product: A. Energy, B. Water, C. Transportation, D. Amount of material used in packaging or products, E. Substitution of nonrenewable 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. Methodology for calculating diarrheal days and mortality was developed with Population Services International and Aquaya Institute. Details are provided in the 2009 Sustainability Report found at www.pg.com/sustainability.

Designed to Matter: Committed to Meaningful Improvements

Leadership Statement

At P&G, we are focusing our efforts where we can make the most meaningful difference in both environmental and social Sustainability. In 2007, P&G established five strategies for Sustainability and set goals to be achieved by 2012.

This past March, in recognition of the progress we've made so far and to emphasize our commitment to achieving even more significant wins, we increased *each* of our goals. It's a part of P&G's culture to continuously raise the bar, and our work in Sustainability is no exception. I'd like to share just a few highlights of the work we've done this year.

Products—We continue to climb toward our goal of at least $50 billion in cumulative sales of "sustainable innovation products" by 2012. We made progress toward this goal in fiscal 2009 by introducing innovative new products such as Ariel Excel Gel, a highly concentrated and extremely effective laundry detergent introduced in Western Europe, as well as other smaller product and packaging innovations that add up to big improvements.

Operations—We continue to drive conservation efforts in manufacturing and we applied smart eco-designs to reduce our operational footprint. Beyond that, we expanded our efforts across the entire supply chain, taking a holistic end-to-end view of opportunities. We initiated projects in transportation that created significant energy savings and we chartered a Supplier Sustainability Board to guide the development of supplier-related strategies.

Social Responsibility—Together with our partner organizations, we are developing and expanding successful programs around the world to enable 300 million children to Live, Learn and Thrive, touching and improving the lives of more than 75 million children this past year. More of our brands are using their consumer reach to drive awareness and results in significant social issues. Pampers' partnership with UNICEF is committed to eradicating maternal and neonatal tetanus. The Always and Tampax Protecting Futures program aims to keep girls in the developing world in school during the days they have their period by making feminine protection products available to them.

Employees—Employees at 78 of our sites around the world agreed to "Take the R (Responsibility) for Tomorrow" during our annual Earth Day employee education event. Many of our employees went on to participate on Site Sustainability teams or to engage in our global Sustainability Ambassador Network, which now has nearly 500 members. Their role is to encourage sustainable behaviors among their co-workers.

Stakeholders—We are working transparently with external stakeholders to ensure P&G has the freedom to innovate and grow in a responsible way. We are working diligently, both by dedicating resources internally and by partnering externally, to tackle important topics that impact both our world and our business. This year's report discusses how we are working with stakeholders on the following challenges.

> ***Solid Waste*** is a priority for P&G because some of our products and most of our packages enter the solid waste stream. Consumers want to make sustainable choices and learn more about waste management of our products and packaging; this compels us to constantly seek improvements in the design, manufacture and delivery of our products and to collaborate externally to develop improved integrated waste management systems.
>
> ***Climate Change*** is a serious issue facing the world today. So while P&G is not an energy-intensive business, we focus our efforts in two areas: reducing our own emissions and innovating and educating to positively impact consumer behavior.
>
> ***Water*** is of crucial importance to both the production and use of our products, so our approach to water is focused on responsible water use by both our Company and consumers. And because a lack of safe drinking water is a leading cause of debilitating disease and death in developing countries, especially for young children, we are also working hard to help provide safe water to children in need.
>
> ***Product Safety*** is at the heart of the trust consumers place in P&G brands. All of our products are thoroughly evaluated for safety for people and the environment before they go to market. P&G also consistently promotes research that enhances understanding of product safety. Beyond the safety of ingredients themselves, we also conduct extensive studies to understand real consumer use of our products.

P&G remains squarely focused on having a meaningful impact in both environmental and social Sustainability work. We are upholding our commitments and stretching our employees and our partners to continuously raise the bar for the level of results we can achieve. To learn more, please see our online report, prepared using the Global Reporting Initiative's (GRI) Guidelines at www.pg.com/sustainability.

Len Sauers
Vice President, Global Sustainability

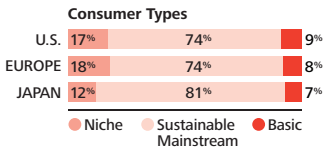
Product Innovation

Insight Matters

We combine two key strengths—consumer understanding and science—to deliver sustainable innovations that don't require trade-offs in performance or value.

Consumer Insight

Because we are in touch with the reality of consumers, we can make innovation decisions based on their needs. We know that most consumers are unwilling to make trade-offs on performance or value to be more sustainable. This insight is consistent in regions throughout the world. We have found that two relatively small groups exist on the ends of a decision-making spectrum. On one end, "niche" consumers are willing to sacrifice performance or value for a more sustainable product. On the other, a small segment is focused on providing "basic living" for their families and do not make purchases based on Sustainability factors.



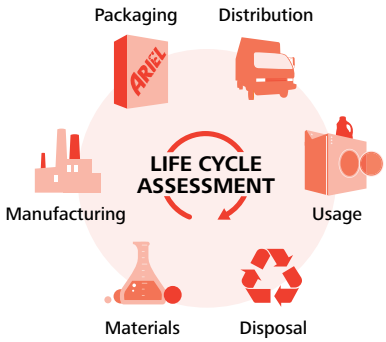
The vast majority of consumers (around 70%) we call the "sustainable mainstream"—want choices that have improvements in their environmental profile. But they will only alter purchasing decisions when they can have the performance they require and the value they need. At P&G, this group is the focus of our Sustainability decisions.

Why does this matter? By meeting the needs of this largest segment of consumers, we can deliver the greatest positive impact.

Technology Insight

A second decision-making factor comes from our unique, holistic view of technology. Our science is based upon life-cycle thinking, a discipline we helped pioneer. This approach considers the entire environmental footprint of a product, from raw materials to consumer use and disposal. It examines multiple factors in each step to determine the overall environmental impact.

P&G's unique combination of consumer insights and technology insights results in sustainable product innovations that can be delivered by changing the product, its packaging, or both. Dozens of these innovations have been launched successfully across P&G. Some examples from Ariel, a leading P&G laundry brand, show how such advances come to life.



Dramatic Changes in Formulation

Ariel Excel Gel, the new generation of Ariel detergents, was designed from scratch for ultimate cleaning at low temperatures. This formulation change has helped bring about reductions in environmental impact, expending less energy, water, packaging, and waste.

The science behind Ariel Excel Gel's low-temperature performance is called catalytic detergency—a type of chemistry that actually regenerates itself. At first, stains are broken down and suspended in the water away from clothes. But Ariel Excel Gel then returns to the clothes and removes additional stains, again and again. This means a small amount of gel will achieve fantastic results in water temperatures as low as 15°C.

Why does this matter? During the laundry life cycle, 70% of energy consumption happens during the product's use, heating the water needed to wash. Eliminating the need to heat the water cuts energy use dramatically.

* Variations are dependent on country differences (e.g., energy rates, base packaging comparisons)

But Ariel Excel Gel takes Sustainability a step further. The next-generation formula uses only ingredients that add value to the cleaning performance, adding no thickeners, solvents, or stabilizers. Thanks to a breakthrough formulation that forms a gel naturally, the product's easy-squeeze consistency is achieved without the need for any structuring agents. This makes it possible to handle the same number of loads in a highly concentrated formula, leading to a dramatic reduction in packaging.

A NOTICEABLE REDUCTION IN OVERALL ENVIRONMENTAL FOOTPRINT*

40–50%
Less water to manufacture

20–50%
Less energy by washing in low temperatures

30–40%
Less energy to manufacture

14–45%
Less packaging

40–57%
Fewer trucks to transport

Systemic Thinking in Packaging

P&G has experts in packaging Sustainability working in every category. These experts form a network to share progress, challenges, and ideas for reapplication with other brands around the world. We're looking at packaging improvements systemically, from shipment to shelf to use in the consumer's home. Since 2006, this has resulted in 136,000 metric tons of packaging material avoidance.

One example of our systemic approach involves an advance by P&G teams in Turkey. By replacing cardboard shipping boxes on Ariel with seal-tight plastic bags, they found a way to use significantly less material while delivering a superior product to market.

Ariel bags require
80%
LESS PACKAGING MATERIAL THAN BOXES

Previously, shipping Ariel involved packing eight bags of Ariel granule detergent into a corrugated box. The team designed a new process that packed Ariel in large, seal-tight polyethylene bags. Entirely recyclable, these bags require 80% less packaging material than boxes, and can be opened without tools. They also take up 20% less space during transport and storage and help speed up the packaging line.

For our retail customers, the new outer covering provides still more value. It allows for easier stock management, with the transparent film showing the product inside for faster recognition of brands and sizes. Because the packaging can be opened without tools, it is easier to handle. And it maximizes shelf space, helping reduce out-of-stock situations.

The success of this packaging advance has inspired its expansion beyond Turkey. The new process is currently being reapplied across multiple regions, with three more plants scheduled to be up and running by early next year.

Since 2006, improvements made company-wide resulted in
136,000
METRIC TONS OF PACKAGING MATERIAL AVOIDANCE

Switching from cardboard shipping boxes (left) to seal-tight plastic bags (right) uses up to 20% less space.

Operational Improvement

End-to-End Thinking Matters

We are expanding our work from a focus on the core of our manufacturing operations to a holistic end-to-end view of opportunities.

Manufacturing

Between raw materials and the creation of a product, we strive to reduce waste, water, energy, and CO_2 through systemic conservation efforts. We apply smart eco-design through innovative construction process improvements. And, we re-use where feasible, giving new life to what was once waste.

Finished Product Logistics

In the logistics stage, we reduce waste in product customization by applying new designs. We optimize transportation through a comprehensive multi-mode approach, and now go further by leveraging common "intermodal" containers across different types of transportation.

End-to-End Strategy

Our strategy for making sustainable improvements to our Operations impacts all parts of the supply chain. It continues to deliver strong results behind a three-pronged approach: manufacturing, finished product logistics and supplier engagement.

Supplier Engagement

We collaborate closely with suppliers across the entire supply chain. Our new Supplier Sustainability Board includes members from over 20 leading global suppliers and is charged with guiding the development of supplier-related Sustainability activities and goals.

Manufacturing

Reducing Waste, Water, Energy, and CO_2

Across P&G facilities, Site Sustainability Leaders identify opportunities to reduce P&G's impact across four environmental footprints: waste, water, energy, and $C0_2$. The following examples illustrate results from these teams.

Waste

While our Beauty Care plant in Bangkok, Thailand, had excellent results across all four footprints, their results in reducing waste were particularly significant. The facility decreased waste disposal by 86% by implementing a process to dewater plant by-product, reducing the weight and volume of the material by removing the water before disposal.

Waste disposal decreased

86%

AT BANGKOK'S BEAUTY CARE PLANT

Water

Projects at sites across Western Europe have realized substantial water savings. For example:

At our Baby Care plant in Mequinenza, Spain, we performed an analysis to understand where we were losing water. The resulting water savings amounted to 28m³ per unit of production.

A new chiller at P&G's pharmaceutical site in Weiterstadt, Germany, enabled water savings of 24.1m³ per unit of production.

Energy and $C0_2$

Our Household Care plant in Brockville, Ontario, Canada, decreased its total site energy use by 20% through a series of improvements. The site optimized HVAC (Heating, Ventilation, Air Conditioning) systems, improved compressor and chiller management, improved boiler efficiency, shut down equipment automatically when not in use, added timers to lights, and implemented site-wide steam trap inspection and replacement. These efforts are now being replicated across many P&G sites globally.

Energy use decreased

20%

AT HOUSEHOLD CARE PLANT IN BROCKVILLE, ONTARIO, CANADA

Conserving through Smart Eco-Design

To evaluate key Sustainability elements in a new construction process, we use the *77 Point Plan,* a process developed by our Global Facilities Engineering group in partnership with Arup International and validated by world-renowned architectural firm William McDonough+Partners. The plan rates a facility's potential impact on CO_2, energy, waste, water, and environmental quality.

The *77 Point Plan* examines not only construction concerns, but also ongoing operations once a facility is built. Beyond new projects, the process is also used to review existing facilities, with the results used to raise the design standard for P&G facilities throughout the world. Two recent projects illustrate smart eco-design in action.

Urlati, Romania: Beauty Care Plant

Before designing the Sustainability plan for this facility, the design team studied wind, solar, and humidity patterns, rainfall and the solar path of the proposed site location. Large windows throughout the building bring in natural light and connect employees with the outdoors. By using high-efficiency glass, the windows also reduce energy use. External sunshades reduce sunshine where and when necessary.

The facility is capable of recovering heat created in the manufacturing process, then reusing it to heat the building and water. The roof of its administration building faces due south, maximizing the possible future use of solar panels.

Euskirchen, Germany: DACH Customization Center

A 10,000-square-meter facility in Euskirchen, Germany, was built using sustainable materials and will save roughly 7,300 metric tons of CO_2 over the building's 40-year lifetime. The center incorporates high-efficiency lighting, rainwater recycling, water-efficient sanitary appliances, and a solar hot water system.

It is also the world's first P&G building to deliver an operating solar photovoltaic system. The system is capable of generating 324 Gigajoules of electricity per year, with an equivalent CO_2 reduction equal to nearly 35,400 truck kilometers.

Giving Waste New Life through Re-use

What do you do when you don't need it anymore? Shampoo wash-out. Soupy paper fines from paper towel production. Tubes of outdated mascara. At P&G sites all around the world, you "GARP it."

Our Global Asset Recovery Purchases (GARP) team is charged with finding external partners who can turn waste and nonperforming inventory into something useful. So when a P&G site has something it hasn't been able to recycle, GARP steps in to help. In the last year alone, this small group of garbage gurus enabled more than ten thousand metric tons to be recycled globally.

Budapest: Making Energy from Scraps

In Budapest, GARP teams are using scrap feminine pads to fuel kilns at a local cement factory, reducing the factory's energy consumption and P&G's disposable waste. Each year, the plant generates scrap material in the making of Always and Naturella pads, including off-spec product, end runs and out-dated material. The teams found that when shredded, the scraps burn exceptionally well. Budapest now has two shredders on site, and is selling its scrap to a local cement maker who mixes it with other combustibles to keep his kilns running.

China: Softer, Younger-Looking Leather

Converting facial cream components for use in leather care is one of many examples across China where each of P&G's seven mainland distribution centers worked together to find a path to re-use. The facilities collaborated to develop a standard operating procedure for recycling that classifies all of P&G finished goods into one of 19 categories. They then developed a recycling process for each category. As a result, P&G China Distribution Centers are now keeping 97% of all scrap materials out of landfills.

Finished Product Logistics

Optimizing Outbound Transportation

For decades, P&G has transported product in a "multi-modal" fashion, that is, using multiple forms of transport. But today, we're shifting toward "intermodal" transportation, which uses shipping containers that transfer smoothly from one mode to another.

An intermodal approach optimizes the transportation process. And by shifting away from trucks and planes to boats and trains, it saves fuel and reduces CO_2 emissions. Examples from Europe, South America, and North America show the benefits of an intermodal strategy.

Western Europe: More Trains, More Gains

An intermodal program in Western Europe increases the use of trains in its distribution network. Before the effort, more than 90% of Western Europe's finished product traveled on trucks, covering over 2 million kilometers of roads. The intermodal program aims to increase rail transportation from 10% to 30% by 2015, reducing CO_2 emissions without any trade-offs in customer service or cost.

Pilot programs have reduced CO_2 emissions by more than

4,000

METRIC TONS PER YEAR

Pilot programs in Belgium and France have been operating since July 2008, and each has removed up to 5,000 trucks per year from the roads. The pilots have reduced CO_2 emissions by more than 4,000 metric tons per year—an amount equal to the CO_2 produced by lighting more than 15,000 homes annually.

North America: Trucks and Trains Save Diesel

A transport program in North America, P&G's first to incorporate an intermodal component combining trucks and trains, has reduced transportation costs and improved Sustainability across the region. Use of intermodal transport has increased by 30%, saving 11 million liters of diesel fuel. Overall miles in North America have been reduced by 12% since the 2007/2008 fiscal year, while the same volume of product has been delivered.

Brazil: A Longer but Cleaner Journey

Since September 2008, P&G Brazil has bypassed most of the 4,000 kilometers of road between the Manaus plant in the Amazon and the main distribution center in São Paulo. The new route takes product via the Amazon River to the Atlantic coast where it embarks on an ocean journey, then a rail ride, and finally a short road trip to the distribution center. It's not the shortest route distance-wise (in fact, it's 40% longer) but it's more environmentally sound than truck transport alone because the river and ocean portions of the trip reduce CO_2 emission by at least 60%.

By using river and ocean routes, CO_2 emissions are reduced by at least

60%

Reducing Waste in Product Customization

In another effort to reduce waste, we are incorporating Sustainability criteria into the design of customized product and display units. Our suppliers are now often able to eliminate redundant freight and packaging waste within displays, so we're taking advantage of that capability.

12–30%

MORE UNITS CAN FIT ON A PALLET, REDUCING TRUCK MILEAGE AND CO_2 EMISSIONS

One example is how we've simplified the designs and materials used for in-store displays. The new displays are designed to use less material while increasing pallet utilization, delivering both material and transportation savings. Now 12–30% more units can fit on a pallet, helping reduce truck mileage and CO_2 emissions. And by replacing plastic elements with corrugated components, we are using more recycled material in producing the displays.

Example of a new display that eliminates all plastic and uses 100% recycled corrugate

Social Responsibility

Commitment Matters

For more than 170 years, P&G brands and people have touched and improved consumers' lives. This commitment extends to our social investments. Through P&G's Live, Learn and Thrive cause, we are helping children in need around the world:

Get off to a healthy start

Receive access to education

Build skills for life

Not only do thousands of P&Gers lend their time and talents to these Live, Learn and Thrive efforts, but we leverage the strength and reach of our brands to raise public awareness, engagement, and donations.

Our people and our brands are our greatest assets, and together, they are a tremendous force that can make an impact that matters.

Live, Learn and Thrive

Pampers and UNICEF: Working Together for Healthy Babies

Every year, 128,000 people die from maternal and neonatal tetanus—a completely preventable disease. So for the fourth year running, Pampers is teaming up with UNICEF to deliver the vaccines that vulnerable women and their children need.

The effort gets our consumers involved. With the purchase of one pack of Pampers, one dose of the vaccine is donated. Our campaign has created the highest awareness ever for maternal and neonatal tetanus, helping put the disease back on the agenda of health authorities.

Since the start of the campaign, a total of 45.5 million women and their babies have been protected against maternal and neonatal tetanus—but more work remains to meet our goal of eliminating the disease by 2012. Pampers has committed to providing the vaccine to target and protect an additional 33 million women and their babies in at least 32 countries around the world.

This year, we've added a new form of employee involvement. P&G and UNICEF have teamed up to offer P&G employees in Western Europe the opportunity to take a three-month unpaid sabbatical and work with UNICEF. The program is aimed at employees who have always wanted to undertake humanitarian work but have not had the chance before.

UNICEF will benefit from the diverse backgrounds of P&G employees as they apply such skills as communications, promotion, leadership training, and supply chain management. Although resource requirements for UNICEF are ever-changing, three to four assignments are expected per year. The first volunteers will begin in the spring of 2010.

P&G Beauty's Aqua Collection: Supporting Children's Safe Drinking Water

Each day, some 4,000 children die as a result of not having clean drinking water. But a special collection of P&G Beauty Care products—each with its own hydration benefit—is helping fight this problem.

For each purchase within "The Aqua Collection," safe drinking water is donated to children in developing countries through P&G's Children's Safe Drinking Water program. CSDW is a nonprofit program run by P&G which leverages PŪR™ water filtration technology to provide clean drinking water in the developing world. P&G will provide 4 billion liters of clean water between 2007 and 2012 through this program. So while consumers have benefitted from moisture where their hair and skin need it, 50 million liters of water have been donated to date through this partnership with the Beauty Care business.

Again, the involvement of P&G employees has had a direct impact on the program. During "Sustainability Week" events in Geneva, employees were educated about water issues and other Sustainability topics. For every employee who attended an event, P&G donated 10 liters of safe drinking water to CSDW.

THE *AQUA* COLLECTION

Safeguard: Building a Great Wall of Hygiene

Establishing good hygiene habits early is essential to protecting children from disease. So Safeguard, in partnership with the Red Cross and China's Ministry of Health, launched the Safeguard Health Great Wall campaign on October 15, 2008—Global Hand Washing Day.

The effort broadens health hygiene education in schools, as well as building sanitation facilities in rural China to encourage hand washing. Its goal is to educate 10 million children in the next eight years. Consumer purchases of Safeguard help fund the program, while volunteer opportunities allow individuals to directly experience the importance of good hygiene.

P&G and Shiksha: Increasing Access to Education in India

India has the world's largest number of uneducated children, with nearly half of all children not attending school. Our Shiksha program is dedicated to fighting that trend, helping create a more educated, progressive nation.

The program funds NGO efforts to address the underlying causes of poor access to education, such as poverty, health issues, and access to immunization. In cases where schools don't exist, the program also funds their construction. Each time a consumer bought a large pack of any P&G brand in India between April and June of 2009, part of the proceeds went toward leading children on the path to education.

Shiksha also benefits from the direct involvement of P&G employees. Each year, employees participate in a Shiksha Walk-a-thon, joining their families and others in raising awareness for the cause.

87,000
CHILDREN REACHED IN 5 YEARS, TRANSLATING TO:

2,623
Children mainstreamed into formal school

100
Full enrollment villages

85
Villages free of child labor

4,495
Children immunized

shiksha

Always and Tampax: Protecting the Futures of Girls

Today, more than 600 million girls live in the developing world. Many of these girls miss several days of school each month because they lack basic sanitary protection to manage their periods.

Protecting Futures works with partner organizations to provide puberty education, sanitary protection, and sanitary facilities to help vulnerable girls stay in school. In conjunction with its partners and other external thought-leading organizations, Protecting Futures supports research on the issue and the impact of the interventions the program enables.

Since 2006,
80,000
GIRLS REACHED IN THE DEVELOPING WORLD

Since 2006, Protecting Futures has worked with eight partners in 17 countries, reaching more than 80,000 girls in the developing world.

Protecting Futures
keeping girls in school
always TAMPAX

Employee Engagement

Responsibility Matters

We are driving efforts to make Sustainability top of mind for all P&G employees, keeping personal responsibility relevant both at work and at home. Why does this matter? It creates a mindset that's essential for driving ongoing innovation.

At P&G, employees often leave a meeting offering to "take the R" (responsibility) for a next step or action item. Borrowing from this Company vernacular, we frame our engagement efforts around the "Take the R for Tomorrow" program.

Earth Day Events: A World of Progress

The program's signature effort this year was our weeklong celebration of Earth Day. Around the world, local events were planned around four primary themes: reducing travel, reducing waste, reducing energy use, and volunteering through our Live, Learn and Thrive program.

To drive employee awareness, these themes were brought to life in a sustainable manner through big messages in big places. Many sites offered employee e-training and pledge cards, others planned field trips and training sessions on locally relevant topics, and some locations conducted volunteer days with our Live, Learn and Thrive partners.

These new recycle bins are being used at many P&G sites around the world.

Some highlights from the week's activities:

In Latin America, Site Sustainability Teams educated employees about waste and opportunities for recycling, introducing new recycling bins.

At Miami Valley Technical Center, employees reduced bottled water consumption by 70%, using PūR Pitchers in catering and encouraging everyone to bring a reusable mug.

In Beckett Ridge, Ohio, containers were strategically placed to drive cardboard recycling.

Ongoing Events: Maintaining Engagement Year-Round

Earth Day celebrations are only the beginning—truly sustainable employee engagement keeps the spirit of personal responsibility alive throughout the year. In partnership with Jones Lange LaSalle, P&G's property management partner, we have implemented ongoing efforts aimed at educating employees further and influencing more sustainable workplace behaviors.

In Asia, an Idea Challenge was held to generate practical ideas for reducing energy, water, and paper, with the aim of improving sites' Sustainability Scorecards. So far, nearly 130 ideas have been collected and some of the best have been implemented.

At several sites in Western Europe, a Beauty & Grooming Sustainability Week was held to increase awareness of Sustainability issues and generate further engagement. Along with educational presentations from senior management and Sustainability experts, employees took part in a number of meaningful activities.

In the Employee Sustainability Challenge, employees earned "drops" of water by participating in activities such as carpooling and switching to re-usable mugs. These drops translated into a two-million-liter donation through P&G's Children's Safe Drinking Water program—a year's worth of water for 700 families. At week's end, employees gathered at Lake Geneva for a daylong coordinated cleanup effort.

Stakeholders

External Partnerships Matter

No single company has all the answers about Sustainability, but P&G is committed to being part of the solution. Meaningful progress requires the right partners, especially when taking on environmental challenges like solid waste, climate change, and water quality. Tackling consumer concerns like product safety also requires collaboration.

Why do external partnerships matter? Because these important topics impact both our world and our business, today and in the future. So we take them seriously, dedicating internal resources while engaging externally. Only then can we be part of the conversation, helping find the answers that Sustainability demands.

Solid Waste

Growing responsibly compels us to constantly seek improvements in the design, manufacture, and delivery of our products. So P&G has established a Global Integrated Solid Waste Management Team made up of its experts around the world.

A Partner in the Journey

In 1995, P&G scientists first published *Integrated Solid Waste Management: A Life Cycle Inventory,* a book based on their experience working with governmental agencies, academia, environmental and consumer organizations, and other industry partners in this area. It voiced support for practical solutions, such as the benefits of recycling and energy recovery, ways to implement curbside collection for recovering recyclables, and ways to compost biodegradable materials.

Packaging Progress

We continually look for opportunities to reduce packaging while maintaining consumer needs and product integrity—an effort that forms the cornerstone of our solid waste efforts. We are also shifting some materials to renewable sources, with several efforts underway.

Solutions for the Developing World

In Thailand, Brazil, Mexico, and China, we have been founding members of industry coalitions to promote Integrated Solid Waste Management solutions.

One such example is P&G's cooperation in Thailand with TIPMSE—Thailand Institute of Packaging Management for Sustainable Environment—and the Ministry of Natural Resources and Environment to introduce recyclable work banks in more than 200 communities countrywide. The program allows citizens to exchange recyclable materials for money that is deposited into a personal account. These funds can be withdrawn as needed.

The results are not only good for the environment, but these programs provide a needed source of income for participants. These efforts will be further extended and it is expected that in 2009 the projects will cover 400 more Thai communities, 10 more universities and colleges, and 15 more municipalities and administrative organizations.

"TIPMSE has set an important milestone towards environmental protection and social responsibility in Thailand. TIPMSE has established strong partnerships with government, academia, industries and communities. The concept of Integrated Waste Management is efficient for managing packaging."

Yuthtapong Wattanalapa
Director General

TIPMSE

Climate Change

Climate change is a serious issue facing the world today. P&G is not an energy-intensive business, but as a global citizen we are concerned about the negative consequences of climate change. We believe that industry, government, and consumers all have a role to play in addressing climate change and that prudent and cost-effective actions to reduce greenhouse gas emissions are necessary. We have endorsed the *Copenhagen Communiqué on Climate Change* calling for an effective and equitable international framework to address climate change, and internally we are focusing our efforts in two areas: reducing our own emissions and innovating and educating to impact consumer behavior. The challenges posed by climate change are significant, but P&G is committed to making progress. We will continue to disclose data on our absolute CO_2 emissions and energy use, reporting achievements against our goals on an ongoing basis.

Reducing Greenhouse Gas Emissions from Our Own Operations

The most significant greenhouse gas associated with manufacturing our products is the CO_2 created from on-site fuel combustion and externally purchased electricity. Even though our business has more than doubled in size since 2002, we have managed to reduce direct CO_2 emissions from our facilities by over 10% in that time. Our goal is to achieve a 20% reduction of both CO_2 emissions and energy consumption per unit of production by 2012, compared to a 2007 baseline.

Woodstone-led lighting upgrades have reduced CO_2 emissions by

10,000

METRIC TONS LAST YEAR ALONE

To meet this target, we will need help from partners like Woodstone Energy. Woodstone has led multiple lighting upgrade projects and will be the lead partner for our South Boston plant's 2010 upgrade to a more energy-efficient electricity-generating turbine that will reduce CO_2 emissions by over 130,000 metric tons annually.

"P&G is committed to improving energy efficiency and reducing greenhouse gas emissions. We are happy to be a key partner in their efforts."

Doug Woodward
President
Woodstone Energy

Innovating to Enable More Efficient Consumer Product Use and Energy Consumption

As the lifeblood of our Company, innovation plays a critical role in helping consumers reduce their own greenhouse gas emissions, whether through product innovations or education programs.

After examining the life cycles of our biggest product categories, we found that the energy used to heat water during laundering had the most potential for positive impact. In fact, if every U.S. household used cold water for laundry, the energy savings would amount to roughly 3% of the nation's total household energy consumption. This insight led to the development of laundry detergents specifically formulated to deliver great cleaning performance in cold water.

Cool Clean campaign helped save

58,000

METRIC TONS OF CO_2 EMISSIONS

Of course, realizing the benefits of cold water washing requires consumers to change their behavior. A key partner for P&G in these efforts has been the Energy Saving Trust, an independent not-for-profit organization based in the U.K. In partnership with our Ariel brand, they developed and executed the Ariel Cool Clean campaign, which has helped consumers reduce their environmental impact by enabling them to get their clothes brilliantly clean at lower washing temperatures.

"The leading role we were able to play in the 'Cool Clean' campaign has successfully persuaded consumers to reduce washing temperatures and help the environment—a win-win for us, P&G, and consumers."

Philip Sellwood
Chief Executive Officer
energy saving trust®

Water

Availability of adequate quality water is essential to life. It is also hard to imagine any economic activity where water does not play a prominent role. For P&G, water is of crucial importance to both the production and use of our products, so our approach to water aims at responsible use by both our Company and our consumers. And because a lack of safe drinking water is a leading cause of debilitating disease and death in developing countries, especially for young children, we also want to help provide safe water to children in need.

Sustainable Water Management

P&G has formed a multidisciplinary Water Council internally. The group examines risks and opportunities related to our products and plants, and is renewing our corporate water strategy.

Product Innovation

Water efficiency is an important element in our product innovation. We are working on technologies that require less water when the consumer uses our products. In addition, we collaborate with external partners, like the Japan Water Forum, to educate consumers about opportunities to save water.

Operational Improvement

Within our plants and other sites, we continue to work on increasing our water efficiency and savings. We also focus on continually improving the quality of the water leaving our plants.

Social Commitment

P&G's Children's Safe Drinking Water program helps address the critical need for safe drinking water. P&G is committed to long-term, not-for-profit provision of our PūR Purifier of Water technology in the developing world in an effort to reduce illness and death, particularly in children. Through June 30, 2009, we have provided more than 1.6 billion liters of safe drinking water since inception of this program in 2004.

External Engagement

As a member of the Working Group WATER of the World Business Council for Sustainable Development (WBCSD), we support external efforts to better understand key water-related issues. WBCSD is a founding member of the Water Footprinting Network, which is working on developing cross-sector relevant water footprint methodologies. Also, through WBCSD, P&G is involved in the recently started development of an ISO standard looking at harmonizing terminology and parameters for water footprinting initiatives.

"The vision of Japan Water Forum is to make a substantial contribution to the solution of global water issues by engaging people and societies through dynamic movement, innovative ideas, and resolute actions. P&G Japan has been a great partner in helping reach children in schools.

P&G's water education program in elementary schools promotes children's understanding about the meaning of water for life, international water issues, and how Japan depends on water from other countries through its imports.

We continue to work together with P&G to drive water education in schools, training the next generations to take action in solving water-related issues and building a sustainable society."

Kotaro Takemura
Secretary General

Japan Water Forum
日本水フォーラム

"As a member of P&G's scientific External Advisory Board, I've seen firsthand P&G's commitment to safety and leading research. Safety is a key component of every P&G product, even though most consumers just see outstanding and trustworthy products that work every time."

Kimberly Thompson
Adjunct Associate Professor of
Risk Analysis and Decision Science
Harvard School of Public Health

Product Safety

In today's media environment, concerns have heightened around the safety of consumer products and their ingredients. So it's not surprising that many of our consumers look for reassurance that P&G treats their concerns seriously.

Every day, over four billion consumers use our products, so there is nothing more important to us than assuring the safety of our products for our consumers and the environment. Our commitment to safety is reflected in the more than 700 in-house experts devoted globally to ensuring the environmental and human safety of all our ingredients and products before they go to market. P&G also consistently promotes research that enhances understanding of product safety. Our scientists have helped to develop numerous new methods and approaches to advance the science of safety assessment, and they are currently leading new research in the application of genomics to that field.

Safety doesn't stop once a product is in the marketplace. We also conduct extensive studies to understand real consumer use of our products. Through consumer e-mail and telephone hotlines, we are available to help address any consumer questions or concerns that arise. And we believe that transparency helps the consumer make better decisions, so we keep consumers informed through sites such as www.pgbeautyscience.com.

Animal Research

Many of our consumers also want to know our position on animal research. P&G firmly believes that ending animal research is beneficial for consumers, animal welfare, and industry. P&G has invested more than $250 million in helping to develop more than 50 non-animal alternative methods.

Today, more than 99% of our safety assessments are done with alternatives. By continuing to innovate, we are able to assess acute effects of most new ingredients with alternatives only.

P&G is working with many partners and lawmakers globally (e.g., CAATs (The Johns Hopkins Center for Alternatives to Animal Testing), EPAA (The European Partnership for Animal Alternatives), etc.) to continue to advance science and technology in this area. For example, in the U.S., the EPA is working with P&G and other companies to pilot a new program to evaluate the usefulness of non-animal alternative testing approaches for the labeling of antimicrobial cleaning products. If the program is successful, the EPA will update its product registration requirements to allow manufacturers to use non-animal alternative tests in assessing the eye irritation potential of these products.

More than **99%**
OF SAFETY ASSESSMENTS UTILIZE ALTERNATIVE, NON-ANIMAL METHODS

We are committed to continuing our leadership in developing non-animal alternatives, which we believe will ultimately result in the elimination of all animal research. To read more about our ongoing efforts, visit our website: http://www.pgbeautyscience.com/animal-testing-alternatives.html.

"The Humane Society of the United States has collaborated with P&G for nearly twenty years to successfully press for national and international changes in animal testing regulations and practices. Working together, animal protection groups and committed corporations can make eliminating animal testing a reality."

Andrew Rowan
Executive Vice President
of Operations

THE HUMANE SOCIETY OF THE UNITED STATES

Sustainable Innovation Products 2008–2009

Products with a >10% reduction in one or more of the following indicators without negatively impacting the overall Sustainability profile of the product: A) Energy, B) Water, C) Transportation, D) Amount of material used in packaging or products, E) Substitution of nonrenewable energy or materials with renewable sources.

PRODUCT	REGION	INNOVATION
Ariel Excel Gel	Western Europe	Formulation concentration delivered savings in water, energy, transportation, packaging; Formulation to clean in cooler temperatures, saving energy
Ariel	Western Europe	Formulation concentration delivered savings in water, energy, transportation, packaging
Fairy, Dreft, Yes	Western Europe	Formulation concentration delivered savings in water, energy, transportation, packaging
Ariel	Turkey	Replaced cardboard shipping boxes with seal-tight plastic bags, using less material
Downy, Lenor	Global	Formulation concentration delivered savings in transportation and packaging
Pantene	Greater China	Package weight reduction
Olay Total Effects	North America, Greater China, United Kingdom	Pump redesign reduced plastic
Prilosec OTC	North America	Redesigned to include twice the product in one blister-pack
Braun Series 5 shaver, Braun Series 3 shaver, Braun BodycruZer, Braun Handblenders, Braun Hairstyler	Global	Reduced packaging

Resource & Waste Summary

The table below reports environmental statistics for Manufacturing Operations in the Global Business Units, Technical Centers, and Distribution Centers. Table reflects divestiture of Western European Tissue Towel, and Coffee Businesses.

	Totals (absolute units x 1,000)			2009 Global Business Unit Detail [1] (absolute units x 1,000)				
	2009	2008	2007	BEAUTY	HOUSEHOLD CARE	HEALTH AND WELL-BEING	TECHNICAL CENTERS	DISTRIBUTION CENTERS
Production (metric tons)								
Product Shipped	22,936	23,187	21,742	2,635	19,136	1,165	0	N/A
Raw Materials from Recycled Sources	1,080	697	79	326	614	140	0	N/A
Waste (metric tons)								
Generated Waste	871	935	983	129	587	134	16	5
Percent Recycled / Reused Waste	66%	59%	53%	59%	65%	80%	46%	64%
Disposed Waste (metric tons)								
Solid Waste—Non-Hazardous	270	311	375	50	186	25	8	1
Solid Waste—Hazardous	27	30	48	3	20	2	1	1
Effluents (excluding water)	24	23	22	4	15	4	1	N/A
Air Emissions [2]	19	16	17	1	16	3	0	N/A
Other								
Energy Consumption (gigajoules)	70,646	75,901	77,681	6,414	56,216	4,918	2,433	665
Greenhouse Gas Emissions (metric tons) [3]	2,625	2,782	2,876	183	2,228	123	61	30
Water Consumption (cubic meters)	78,556	86,958	89,688	7,484	61,525	2,643	6,904	N/A
SARA Releases (metric tons) [4]	1.91	1.90	1.73	0.04	1.57	0.29	0.01	0.00

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

(1) Beauty includes segments Beauty & Grooming. Health and Well-Being includes segments Health Care, Feminine Care, and Pet Care. Household Care includes segments Fabric Care, Home Care, Duracell, Baby Care, Family Care and Snacks (Snacks data will transition to Health and Well-Being in 2010/11 to be consistent with the Business Unit structure). Technical Centers includes each of the research centers that support the business units. Distribution Centers includes facilities that finished product distribution. 2009 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.

P&G at a Glance

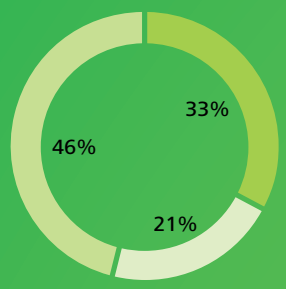
Today, P&G serves about four billion people around the world. And P&G people work to make sure our brands live up to their promise to make everyday life just a little bit better, now and for generations to come.

P&G is recognized as a leading global company, including a #6 ranking on *Fortune's* "World's Most Admired Companies," the #2 ranking on *Fortune's* "Top Companies for Leaders" survey, the #3 ranking on *Barron's* "World's Most Respected Companies List," a #12 ranking on *Business Week's* list of "World's Most Innovative Companies," named to *Chief Executive* magazine's worldwide survey of the Top 20 Best Companies for Leaders, top rankings on the Dow Jones Sustainability Index from 2000 to 2009, being named to the list of the Global 100 Most Sustainable Corporations in the World, and a consistent #1 ranking within our industry on *Fortune's* Most Admired list for 24 of 25 total years and for 12 years in a row.

P&G's commitment to creating a diverse workplace has been recognized by the National Association for Female Executives (Top 10 Companies for Executive Women), *Working Mother* magazine (100 Best Companies for Working Mothers and Top 20 Best Companies for Multicultural Women), *Black Enterprise* magazine (40 Best Companies for Diversity), and *Diversity Inc.* (Top 50 Companies for Diversity and #3 ranking on the Top 10 Companies for Global Diversity).

Supplier diversity is a fundamental business strategy at P&G. In 2009, P&G spent more than $2 billion with minority- and women-owned businesses. Since 2005, P&G has been a member of the Billion Dollar Roundtable, a forum of 16 corporations that spend more than $1 billion annually with diverse suppliers.

2009 NET SALES
(% of total business segments)



- Beauty
- Health and Well-Being
- Household Care

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	**$26.3**
	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	**$16.7**
	Snacks and Pet Care	Pet Food, Snacks	Iams, Pringles	
HOUSEHOLD CARE	Fabric Care and Home Care	Air Care, Batteries, Dish Care, Fabric Care, Surface Care	Ariel, Dawn, Downy, Duracell, Gain, Tide	**$37.3**
	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.

Touching lives, improving life. P&G™

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