



The Procter & Gamble Company

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August 5, 2011

Mr. Conrad B. MacKerron
Senior Director
As You Sow
311 California Street Suite 510
San Francisco, CA 94104

Dear Mr. MacKerron:

This documents our past discussions including your recent comments on P&G's commitment related to your shareholder proposal on "Producer Responsibility for Packaging."

P&G understands that solid waste management is an important issue for the Company. This concern is shared by some NGOs, socially responsible investors, trade associations, and U.S. federal, state and local governments. As a result, P&G publicly announced last fall a long-term sustainability vision that includes zero post-consumer and manufacturing waste to landfill and using 100% renewable or recycled materials for all products and packaging.

To accomplish this vision, we have made a commitment to design packages sustainably. Since 2007, we have avoided the use of 312,000 metric tons of packaging, and we have a goal to further reduce packaging by 20% per consumer use by 2020.

The solution to post-consumer waste requires collaborative, multi-stakeholder initiatives. Thus we are involved with U.S. EPA, the Association of Postconsumer Plastics Recyclers, Sustainable Packaging Coalition, Global Packaging Project, and Wal-Mart's Packaging Network – all of whom have efforts related to sustainable packaging.

However, we recognize that packaging design by itself will not enable us to achieve zero post-consumer waste to landfill. Increasing recycling and the use of recycled materials are important elements that will allow us to utilize and recover greater value from the waste stream. For example, we pioneered the technology that enables the use of post-consumer resin in laundry detergent bottles.

We also recognize the important role of consumers in managing waste to landfill. P&G has launched, in several regions around the globe, a consumer education initiative called Future Friendly that has as one of its objectives helping consumers understand steps they can take in managing waste. In the U.S., that initiative has been augmented by a recently announced educational partnership with Recyclebank, an innovative organization that partners with more than 300 municipalities to encourage and incentivize people to take simple steps to reduce landfill waste through residential recycling and electronic-waste recycling.

We believe that optimizing packaging design and recovering greater value from municipal waste streams are objectives that we both share. Your proposal implies that Extended Producer Responsibility (EPR) is the best path forward. We currently do not support EPR for packaging in the U.S. as we are not convinced it offers the best path forward to achieve our vision and goals.

However, we are willing to have quarterly discussions with you and the other lead co-filers on the following topics:

1. Discuss using EPR for post-consumer product packaging as a means of reducing carbon emissions and air and water pollution. Our Life Cycle Assessment (LCA) of the complete environmental footprint is different than As You Sow's conclusion. For example, the majority (greater than 70%) of greenhouse gas emissions related to our products comes during the consumer use phase. Raw materials and manufacturing represents 16%, while packaging only represents 1.5%. Sharing this data should allow for a more informed view of this opportunity.
2. Discuss the role that packaging materials, design and consumer behavior plays in material recovery. As You Sow has pointed to the position that the beverage companies have developed regarding material recovery.

Single serve beverage containers are a unique subset of the broader consumer goods packaging in that they are relatively uniform (e.g., PET, aluminum) and have existing recovery schemes such as bottle deposits that have achieved high recovery rates. Our packaging waste stream is much more complicated. Explaining this complexity, sharing our understanding of consumer behavior, and hearing your views on the topic will lead to a mutual understanding of the opportunities to manage and recover post-consumer packaging waste.

3. Discuss EPR systems as implemented and the impact on recycling rates. P&G has direct experience with EPR in both Europe and Canada. We also have considerable experience with recycling in the U.S. We would both benefit from a discussion of our experience in each of these locations. For example, P&G has driven reductions in the use of packaging in the U.S., and we have also seen a reduction in the amount of packaging going to landfills in the U.S. As You Sow cites EU data and attributes positive packaging changes to EPR in EU. However, comparing data specific to U.S. recycling and recovery with data specific to EU recycling and recovery strongly suggests that the broader forces driving packaging reductions in the U.S. are the same forces driving changes in the EU.

Other commitments:

1. **Timing** – P&G is committing to a quarterly discussion of the points above with the understanding that we may mutually agree to meet more or less frequently as our discussions warrant, or conclude the discussions.
2. **Collaboration** – Some of the topics outlined above are industry wide issues. As appropriate, P&G will participate in collaborative efforts with third parties and utilize findings from credible third party research as part of our discussions.
3. **Confidential information** - As noted in the shareholder proposal, Company confidential information will be omitted from the discussions. We will share non-confidential key data underlying our perspective on packaging and waste programs. Also, since costs are a key component of the study, P&G will utilize industry-wide cost information except where Company cost data is in the public domain.
4. **Good faith participation** – Both parties agree that the discussions will be open, frank and honest while respecting different perspectives. Feedback will be encouraged. We respect the need of As You Sow to issue a press release regarding the shareholder proposal withdrawal and the right to comment on any public statements P&G may make regarding EPR that might arise during the discussions.

We look forward to your positive response to this commitment and your willingness to withdraw your proposal.

Sincerely,



Clifford Henry

CC Tim Smith
Jonas Krun