PROCTER & GAMBLE CO
Form PRE 14A
July 17, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

The Procter & Gamble Company

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

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(2) Aggregate number of securities to which the transaction applies:

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(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of the transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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THE PROCTER & GAMBLE COMPANY

Notice of Annual Meeting

and

Proxy Statement

Procter & Gamble Hall

at the Aronoff Center for the Arts

Annual Meeting of Shareholders

October 13, 2009

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THE PROCTER & GAMBLE COMPANY

P.O. Box 599

Cincinnati, Ohio 45201-0599

August 28, 2009

Fellow Procter & Gamble Shareholders:

It is our pleasure to invite you to this year s annual meeting of shareholders, which will be held on Tuesday, October 13, 2009.

The meeting will start at 9:00 a.m., Eastern Daylight Time, at the Procter & Gamble Hall at the Aronoff Center for the Arts, 650 Walnut Street, in Cincinnati.

We appreciate your continued confidence in our Company and look forward to seeing you on October 13.

Sincerely,

A. G. LAFLEY
CHAIRMAN OF THE BOARD

ROBERT A. MCDONALD
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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THE PROCTER & GAMBLE COMPANY

P.O. Box 599

Cincinnati, Ohio 45201-0599

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

August 28, 2009

Date:	Tuesday, October 13, 2009
Time:	9:00 a.m., Eastern Daylight Time
Place:	Procter & Gamble Hall at the Aronoff Center for the Arts 650 Walnut Street, Cincinnati, Ohio

Purposes of the meeting:

To review the minutes of the 2008 annual meeting of shareholders;

To receive reports of officers;

To elect twelve members of the Board of Directors;

To vote on a Board proposal to ratify the appointment of the independent registered public accounting firm;

To vote on a Board proposal to amend the Company s Code of Regulations;

To vote on a Board proposal to approve The Procter & Gamble 2009 Stock and Incentive Compensation Plan;

To vote on [ ] shareholder proposals; and

To consider any other matters properly brought before the meeting.

Who may attend the meeting:

Only shareholders, persons holding proxies from shareholders, and invited representatives of the media and financial community may attend the meeting.

Shareholders attending the meeting who are hearing-impaired should identify themselves during registration so they can sit in a special section where an interpreter will be available.

What to bring:

If your shares are registered in your name, and you requested and received a printed copy of the proxy materials, you should bring the enclosed Admission Ticket to the meeting. If you received a Notice of Internet Availability of Proxy Materials and will not be requesting a printed copy of the proxy materials, please bring that Notice with you as your Admission Ticket.

If your shares are held in the name of a broker, trust, bank, or other nominee, you will need to bring a proxy or letter from that broker, trust, bank, or nominee that confirms that you are the beneficial owner of those shares.

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Webcast of the annual meeting:

If you are not able to attend the meeting in person, you may join a live video and audiocast of the meeting on the Internet by visiting www.pg.com/investors at 9:00 a.m., Eastern Daylight Time on October 13, 2009.

Record Date:

August 14, 2009 is the record date for the meeting. This means that owners of Procter & Gamble stock at the close of business on that date are entitled to:

- receive notice of the meeting; and
- vote at the meeting and any adjournments or postponements of the meeting.

Information About the Notice of Internet Availability of Proxy Materials:

Again this year, instead of mailing a printed copy of our proxy materials, including our Annual Report, to each shareholder of record, we have decided to provide access to these materials in a fast and efficient manner via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all shareholders. On August 28, 2009, we began mailing a Notice of Internet Availability of Proxy Materials (the Notice) to all shareholders of record as of August 14, 2009, and posted our proxy materials on the website referenced in the Notice (www.proxyvote.com). As more fully described in the Notice, all shareholders may choose to access our proxy materials on the website referred to in the Notice or may request to receive a printed set of our proxy materials. In addition, the Notice and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. For those who previously requested printed proxy materials or electronic materials on an ongoing basis, you will receive those materials as you requested.

Householding Information:

We have adopted a procedure approved by the Securities and Exchange Commission (SEC) called householding. Under this procedure, shareholders of record who have the same address and last name and have not previously requested electronic delivery of proxy materials will receive a single envelope containing the Notices for all shareholders having that address. The Notice for each shareholder will include that shareholder s unique control number needed to vote his or her shares. This procedure reduces our printing costs and postage fees.

If, in the future, you do not wish to participate in householding and prefer to receive your Notice in a separate envelope, please call us toll-free at 1-800-742-6253 in the U.S., or inform us in writing at: The Procter & Gamble Company, Shareholder Services, P.O. Box 5572, Cincinnati, OH 45201-5572, or by email at shareholders.im@pg.com. We will respond promptly to such requests.

For those shareholders who have the same address and last name and who request to receive a printed copy of the proxy materials by mail, we will send only one copy of such materials to each address unless one or more of those shareholders notifies us, in the same manner described above, that they wish to receive a printed copy for each shareholder at that address.

Beneficial shareholders can request information about householding from their banks, brokers or other holders of record.

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Proxy Voting:

Your vote is important. Please vote your proxy promptly so your shares can be represented, even if you plan to attend the annual meeting. You can vote by Internet, by telephone, or by requesting a printed copy of the proxy materials and using the enclosed proxy card.

Our proxy tabulator, Broadridge Financial Solutions, must receive any proxy that will not be delivered in person to the annual meeting by 11:59 p.m., Eastern Daylight Time on Monday, October 12, 2009.

By order of the Board of Directors,
STEVEN W. JEMISON

Chief Legal Officer and Secretary

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Proxy Statement

As more fully described in the Notice, the Board of Directors of The Procter & Gamble Company (the Company) has made these materials available to you over the Internet or, upon your request, has mailed you printed versions of these materials in connection with the Company s 2009 annual meeting of shareholders, which will take place on October 13, 2009. The Notice was mailed to Company shareholders beginning August 28, 2009, and our proxy materials were posted on the website referenced in the Notice on that same date. The Company, on behalf of its Board of Directors, is soliciting your proxy to vote your shares at the 2009 annual meeting of shareholders. We solicit proxies to give all shareholders of record an opportunity to vote on matters that will be presented at the annual meeting. In this proxy statement, you will find information on these matters, which is provided to assist you in voting your shares.

Voting Information

Who can vote?

You can vote if, as of the close of business on Friday, August 14, 2009, you were a shareholder of record of the Company s:

- Common Stock;
- Series A ESOP Convertible Class A Preferred Stock; or
- Series B ESOP Convertible Class A Preferred Stock.

Each share of Company stock gets one vote. On August 14, 2009, there were issued and outstanding:

- [ ] shares of Common Stock;
- [ ] shares of Series A ESOP Convertible Class A Preferred Stock; and
- [ ] shares of Series B ESOP Convertible Class A Preferred Stock.

For The Procter & Gamble Shareholder Investment Program participants:

If you are a participant in The Procter & Gamble Shareholder Investment Program, you can vote shares of common stock held for your account through the custodian for that program.

For participants in The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan and/or The Procter & Gamble Savings Plan:

If you are a participant in The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan and/or The Procter & Gamble Savings Plan, you can instruct the Trustees how to vote the shares of stock that are allocated to your account. If you do not vote your shares, the Trustees will vote them in proportion to those shares for which they have received voting instructions. Likewise, the Trustees will vote shares held by the trust that have not been allocated to any account in the same manner.

How do I vote by proxy?

Most shareholders can vote by proxy in three ways:

By Internet You can vote by Internet by following the instructions in the Notice or by accessing the Internet at www.proxyvote.com and following the instructions contained on that website;

By Telephone In the United States and Canada you can vote by telephone by following the instructions in the Notice or by calling 1-800-690-6903 (toll free) and following the instructions; or

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By Mail You can vote by mail by requesting a full packet of proxy materials be sent to your home address. Upon receipt of the materials, you may fill out the enclosed proxy card and return it per the instructions on the card.

Please see the Notice or the information your bank, broker, or other holder of record provided you for more information on these options.

If you authorize a proxy to vote your shares over the Internet or by telephone, you should not return a proxy card by mail (unless you are revoking your proxy).

If you vote by proxy, your shares will be voted at the annual meeting in the manner you indicate on your proxy card. If you sign your proxy card but do not specify how you want your shares to be voted, they will be voted as the Board of Directors recommends.

Can I change or revoke my vote after I return my proxy card?

Yes. You can change or revoke your proxy by Internet, telephone, or mail at any time before the annual meeting or by attending the annual meeting and voting in person.

Can I vote in person at the annual meeting instead of voting by proxy?

Yes. However, we encourage you to vote your proxy by Internet, telephone, or mail prior to the meeting.

Voting Procedures

Election of Directors Each of the twelve nominees for Director who receive a majority of votes cast will be elected as a member of the Board of Directors. A   majority of votes cast   means that the number of shares cast   for   a nominee must exceed the number of votes cast   against   that nominee. Abstentions and broker non-votes will have no effect. Pursuant to the By Laws of the Board of Directors, if a non-incumbent nominee for Director receives a greater number of votes cast   against   than votes cast   for   such nominee, such nominee shall not be elected as a member of the Board of Directors. Any incumbent nominee for Director who receives a greater number of votes cast   against   than votes cast   for   such nominee shall continue to serve on the Board pursuant to Ohio law, but shall immediately tender his or her resignation as a Director to the Board of Directors. Within 90 days, the Board will decide, after taking into account the recommendation of the Governance & Public Responsibility Committee (in each case excluding the nominee in question), whether to accept the resignation. Absent a compelling reason for the Director to remain on the Board, the Board of Directors shall accept the resignation. The Board s explanation of its decision shall be promptly disclosed on a Form 8-K submitted to the SEC.

Board Proposal to amend the Company s Code of Regulations The affirmative vote of a majority of the Company s issued and outstanding shares is required for adoption. Accordingly, abstentions and broker non-votes have the same effect as votes against these proposals.

Board Proposal to approve The Procter & Gamble 2009 Stock and Incentive Compensation Plan The affirmative vote of a majority of shares participating in the voting on this proposal is required for adoption. Abstentions and broker non-votes will not be counted as participating in the voting, and will therefore have no effect.

Other Proposals The affirmative vote of a majority of shares participating in the voting on each proposal is required for adoption. Abstentions and broker non-votes will not be counted as participating in the voting, and will therefore have no effect.

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Who pays for this proxy solicitation?

The Company does. We have hired Georgeson Shareholder Communications, Inc., a proxy solicitation firm, to assist us in soliciting proxies for a fee of $22,000 plus reasonable expenses. In addition, Georgeson and the Company s Directors, officers, and employees may also solicit proxies by mail, telephone, personal contact, email or other online methods. We will reimburse their expenses for doing this.

We will also reimburse brokers, fiduciaries and custodians for their costs in forwarding proxy materials to beneficial owners of Company stock. Other proxy solicitation expenses that we will pay include those for preparing, mailing, returning and tabulating the proxies.

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Election of Directors

All of the Board s nominees for Director are incumbent nominees who will be elected for a one-year term. Kenneth I. Chenault, Scott D. Cook, Rajat K. Gupta, A. G. Lafley, Charles R. Lee, Lynn M. Martin, W. James McNerney, Jr., Johnathan A. Rodgers, Ralph Snyderman, Patricia A. Woertz and Ernesto Zedillo were elected for one year terms at the 2008 annual meeting. Robert A. McDonald was appointed to the Board effective July 1, 2009. The terms of all nominees for Director will expire at the 2009 annual meeting. The Board has nominated each of these individuals for new terms that will expire at the 2010 annual meeting.

Each of the nominees for Director has accepted the nomination and agreed to serve as a Director if elected by the Company s shareholders. If any nominee becomes unable or unwilling to serve between the date of the proxy statement and the annual meeting, the Board may designate a new nominee and the persons named as proxies will vote for that substitute nominee.

The Board of Directors recommends a vote FOR Kenneth I. Chenault, Scott D. Cook, Rajat K. Gupta, A. G. Lafley, Charles R. Lee, Lynn M. Martin, Robert A. McDonald, W. James McNerney, Jr., Johnathan A. Rodgers, Ralph Snyderman, Patricia A. Woertz and Ernesto Zedillo as Directors to hold office until the 2010 annual meeting of shareholders and until their successors are elected.

Nominees for Election as Directors with Terms Expiring in 2010

Kenneth I. Chenault Director since 2008
Mr. Chenault is Chairman and Chief Executive Officer of the American Express Company (financial services). He is also a Director of International Business Machines Corporation. Age 58.

Member of the Audit and Compensation & Leadership Development Committees.

Scott D. Cook Director since 2000
Mr. Cook is Chairman of the Executive Committee of the Board of Intuit Inc. (software and web services). He is also a Director of eBay Inc. Age 57.

Member of the Compensation & Leadership Development and Innovation & Technology Committees.

Rajat K. Gupta Director since 2007
Mr. Gupta is Senior Partner Emeritus at McKinsey & Company (international consulting). He is also a Director of American Airlines, Genpact, Ltd., The Goldman Sachs Group, Inc., Harman International Industries, Inc. and Sberbank. Age 60.

Member of the Audit and Innovation & Technology Committees.

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A. G. Lafley Director since 2000

Mr. Lafley is Chairman of the Board and former Chief Executive Officer of the Company. He is also a Director of General Electric Company. Age 62.

Charles R. Lee Director since 1994

Mr. Lee is retired Chairman of the Board and Co-Chief Executive Officer of Verizon Communications Inc. (telecommunication services). He is also a Director of The DIRECTV Group, Inc., Marathon Oil Corporation, United Technologies Corporation and U.S. Steel Corporation. Age 69.

Chair of the Audit Committee and member of the Compensation & Leadership Development Committee.

Lynn M. Martin Director since 1994

Ms. Martin is a former Professor at the J. L. Kellogg Graduate School of Management, Northwestern University and former Chair of the Council for the Advancement of Women and Advisor to the firm of Deloitte & Touche LLP for Deloitte s internal human resources and minority advancement matters. She is also a Director of AT&T Inc., Ryder System, Inc., Dreyfus Funds and Constellation Energy Group, Inc. Age 69.

Member of the Governance & Public Responsibility and Innovation & Technology Committees.

Robert A. McDonald Director since 2009

Mr. McDonald is the President and Chief Executive Officer of the Company. He was appointed to the Board effective July 1, 2009. He is also a Director of Xerox Corporation. Age 56.

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W. James McNerney, Jr. Director since 2003
Mr. McNerney is Chairman of the Board, President and Chief Executive Officer of The Boeing Company (aerospace, commercial jetliners and military defense systems). Age 60.

Presiding Director, Chair of the Compensation & Leadership Development Committee and member of the Governance & Public Responsibility Committee.

Johnathan A. Rodgers Director since 2001
Mr. Rodgers is President and Chief Executive Officer of TV One, LLC (media and communications). He is also a Director of Nike, Inc. Age 63.

Member of the Innovation & Technology Committee.

Ralph Snyderman, M.D. Director since 1995
Dr. Snyderman is Chancellor Emeritus, James B. Duke Professor of Medicine at Duke University. He is also a Director of Targacept, Inc. and a Venture Partner of New Enterprise Associates. Age 69.

Chair of the Innovation & Technology Committee and member of the Audit Committee.

Patricia A. Woertz Director since 2008
Ms. Woertz is Chairman, Chief Executive Officer and President of Archer Daniels Midland Company (agricultural processors of oilseeds, corn, wheat and cocoa). Age 56.

Member of the Audit and Governance & Public Responsibility Committees.

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Ernesto Zedillo Director since 2001

Dr. Zedillo is the former President of Mexico, Director of the Center for the Study of Globalization and Professor in the field of International Economics and Politics at Yale University. He is also a Director of Alcoa Inc. Age 57.

Chair of the Governance & Public Responsibility Committee and member of the Innovation & Technology Committee.

Messrs. Chenault, Lafley, McDonald and Rodgers have been executive officers of their respective employers for more than the past five years. Messrs. Cook and Lee have been retired from executive officer positions with their respective former employers for more than the past five years.

Mr. Gupta was named Senior Partner Emeritus at McKinsey & Company in 2007, where he previously held the positions of Senior Partner Worldwide and Managing Director. Ms. Martin was a Professor at Northwestern University from 1993 until her retirement in 1999. Mr. McNerney was Chairman of the Board and Chief Executive Officer of 3M Company from 2001 until July 2005. Dr. Snyderman previously served as Chancellor for Health Affairs and Dean of the Duke University School of Medicine from 1985 until 2004. Ms. Woertz was Executive Vice President of Chevron Texaco from 2001 until 2006. Dr. Zedillo was President of Mexico from 1994 until 2000.

The Board of Directors

The Board of Directors 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.

Committees of the Board

To facilitate deeper penetration of certain key areas of oversight, the Board of Directors has established four Committees. Membership on these Committees, as of June 30, 2009, is shown in the following chart.

Audit	Compensation & Leadership Development	Governance & Public Responsibility	Innovation & Technology
Mr. Lee*	Mr. McNerney*	Dr. Zedillo*	Dr. Snyderman*
Mr. Chenault	Mr. Chenault	Ms. Martin	Mr. Cook
Mr. Gupta	Mr. Cook	Mr. McNerney	Mr. Gupta
Dr. Snyderman	Mr. Lee	Ms. Woertz	Ms. Martin
Ms. Woertz			Mr. Rodgers
			Dr. Zedillo

* Committee Chair

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All Directors served on the respective Committees listed above, including Committee Chairs, for the Company s entire fiscal year, with the exception of Dr. Zedillo, who was appointed Chair of the Governance & Public Responsibility Committee at the February 10, 2009 Board of Director s meeting, following the resignation of Ms. Margaret C. Whitman from the Board effective December 31, 2008. From July 1, 2008 through December 31, 2008, Ms. Whitman served as a member of the Board of Directors, Chair of the Governance & Public Responsibility Committee and as a member of the Compensation & Leadership Development Committee.

The Company s Committee Charter Appendix applies to all Committees and can be found in the corporate governance section of the Company s website at www.pg.com/investors.

The **Audit Committee** met nine times during the fiscal year ended June 30, 2009 to carry out its responsibilities under its charter. At all of these meetings, representatives of Deloitte & Touche LLP, the Company s independent registered public accounting firm, and financial management were present to review accounting, control, auditing and financial reporting matters. During these meetings, the Committee held five sessions where only representatives of Deloitte & Touche, LLP were present and five sessions with only the Company s Vice President of Internal Audit present. All members of the Committee are independent under the New York Stock Exchange (NYSE) listing standards and the Board of Directors Guidelines for Determining the Independence of its Members (the Independence Guidelines, which can be found in the corporate governance section of the Company s website at www.pg.com/investors). The Audit Committee has the responsibilities set forth in its charter with respect to the quality and integrity of the Company s financial statements; the Company s compliance with legal and regulatory requirements; the Company s overall risk management process; the independent registered public accounting firm s qualifications and independence; the performance of the Company s internal audit function and the independent registered public accounting firm; preparing the annual Report of the Audit Committee to be included in the Company s proxy statement; and assisting the Board of Directors and the Company in interpreting and applying the Company s *Worldwide Business Conduct Manual*. In addition to these responsibilities, during fiscal year 2008-09, in response to actions taken by external regulatory authorities, the Company launched an internal investigation into potential violations of competition laws in Europe, and the Board assigned the Committee responsibility for the oversight of that investigation. In that capacity, the Committee met four additional times to discuss and review the Company s internal investigation, as well as the external investigations, during which it held four sessions where no members of management were present. The Audit Committee s charter can be found in the corporate governance section of the Company s website at www.pg.com/investors and is attached to this proxy statement as Exhibit A.

The **Compensation & Leadership Development Committee** met six times during the fiscal year ended June 30, 2009, during which it held five executive sessions with no member of management present. All members of this Committee are independent under the NYSE listing standards and the Independence Guidelines. The Compensation & Leadership Development Committee has a charter, under which it has full authority and responsibility for the Company s overall compensation policies, their specific application to principal officers elected by the Board of Directors (including review and evaluation of their compensation) and the compensation of the non-employee members of the Board of Directors. This Committee also assists the Board in the leadership development and evaluation of principal officers. As a practical matter, the Chief Executive Officer makes recommendations to the Committee regarding the compensation elements of the principal officers (other than his own compensation) based on Company performance, individual performance and input from Company management and the Committee s independent compensation consultant. All final decisions regarding compensation for principal officers are made by this Committee. For more details regarding principal officer compensation or this Committee s process for making decisions regarding the compensation of principal officers, please see the Compensation Discussion and Analysis section of this proxy statement found on pages [ ] to [ ]. This Committee also approves all stock-based equity grants made under The Procter & Gamble 2001 Stock and

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Incentive Compensation Plan and The Gillette Company 2004 Long-Term Incentive Plan to non-principal officers. This Committee has delegated to the Chief Executive Officer the authority to make equity grants to non-principal officers and determine the specific terms and conditions of such grants within the guidelines set forth by the Committee. This Committee retains an independent compensation consultant, hired directly by the Committee, to advise it regarding executive compensation matters. For more details on this arrangement, please see the section entitled How is competitiveness established for executive compensation? found on page [ ] of this proxy statement. The Compensation & Leadership Development Committee s charter can be found in the corporate governance section of the Company s website at www.pg.com/investors.

The **Governance & Public Responsibility Committee** met five times during the fiscal year ended June 30, 2009. All members of the Governance & Public Responsibility Committee are independent under the NYSE listing standards and the Independence Guidelines. The Governance & Public Responsibility Committee has the responsibilities set forth in its charter with respect to identifying individuals qualified to become members of the Board of Directors; recommending when new members should be added to the Board; recommending individuals to fill vacant Board positions; recommending the Director nominees for the next annual meeting of shareholders; recommending to the Board whether to accept the resignation of any Director nominee who received a greater number of against votes than for votes in a non-contested election; periodically developing and recommending updates to the Board s Corporate Governance Guidelines; other issues related to Director governance and ethics; evaluation of the Board of Directors and its members; reviewing plans and making recommendations to the Board on the Company s corporate sustainability efforts (including environmental quality, economic development and corporate social responsibility); and overseeing matters of importance to the Company and its stakeholders, including employees, consumers, customers, suppliers, shareholders, governments, local communities and the general public. Public responsibility topics considered by this Committee include organization diversity, sustainable development, community and government relations, product quality and quality assurance systems and corporate reputation. The Governance & Public Responsibility Committee s charter can be found in the corporate governance section of the Company s website at www.pg.com/investors.

The **Innovation & Technology Committee** met twice during the fiscal year ended June 30, 2009. The Innovation & Technology Committee has the responsibilities set forth in its charter with respect to overseeing and providing counsel on matters of innovation and technology. Topics considered by this Committee include the Company s approach to technical and commercial innovation; the innovation and technology acquisition process; and tracking systems important to successful innovation. The Innovation & Technology Committee s charter can be found in the corporate governance section of the Company s website at www.pg.com/investors.

Board and Committee Meeting Attendance

During the fiscal year ended June 30, 2009, the Board of Directors held seven meetings and the Committees of the Board of Directors held 26 meetings for a total of 33 meetings. Average attendance at these meetings by members of the Board during the past year exceeded 95%. All Directors attended greater than 88% of the meetings of the Board and the Committees on which they serve, except for Mr. Cook, who was only able to attend 73% of the meetings due to prior commitments.

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Corporate Governance

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines to set forth its commitments and guiding principles concerning overall governance practices. These guidelines can be found in the corporate governance section of the Company s website at www.pg.com/investors.

Director Independence

The Board of Directors has determined that the following Directors are independent under the NYSE listing standards and the Independence Guidelines because they have either no relationship with the Company (other than being a Director and shareholder of the Company) or only immaterial relationships with the Company: Kenneth I. Chenault, Scott D. Cook, Rajat K. Gupta, Charles R. Lee, Lynn M. Martin, W. James McNerney, Jr., Ralph Snyderman, Patricia A. Woertz and Ernesto Zedillo. In addition, Ms. Whitman was independent during the period in which she served as Director. As noted previously, all members of the Board s Audit, Compensation & Leadership Development, and Governance & Public Responsibility Committees are independent.

In making these independence determinations, the Board applied the NYSE listing standards and the categorical independence standards contained in the Independence Guidelines. Under the Independence Guidelines, certain relationships were considered immaterial and, therefore, were not considered by the Board in determining independence but were reported to the Chair of the Governance & Public Responsibility Committee. Applying the NYSE listing standards and the Independence Guidelines, the Board determined that there are no transactions, relationships or arrangements that would impair the independence or judgment of any of the directors deemed independent by the Board.

Effective July 1, 2009, Mr. Lafley moved full-time into the role of Chairman of the Board and Mr. McDonald was elected President and Chief Executive Officer of the Company. As such, they cannot be deemed independent under the NYSE listing standards and the Independence Guidelines. Mr. Rodgers is the President and CEO of TV One, LLC, a cable television network. The Board has declared Mr. Rodgers not independent under the Independence Guidelines, which contain a three-year look-back provision, because during 2006, the Company paid TV One, LLC for advertising time in an amount that exceeded 2% of TV One, LLC s gross revenue for that year.

Code of Ethics

For a number of years, the Company has had a code of ethics for its employees. The most recent version of this code of ethics, which is consistent with SEC regulations and NYSE listing standards, is contained in the *Worldwide Business Conduct Manual*, which applies to all of the Company s employees, officers and Directors, and is available on the Company s website at www.pg.com. The *Worldwide Business Conduct Manual* is firmly rooted in the Company s long-standing Purpose, Values and Principles, which can also be found on the Company s website at www.pg.com. During the fiscal year ended June 30, 2009, the Company continued its deployment of the *Worldwide Business Conduct Manual* throughout the Company in 29 different languages, including online training.

Review and Approval of Transactions with Related Persons

The Company s *Worldwide Business Conduct Manual* requires that all employees and Directors disclose all potential conflicts of interest and promptly take actions to eliminate any such conflict when the Company requests. In addition, the Company has adopted a written Related Person Transaction Policy that prohibits any of the Company s executive officers, Directors or any of their immediate family members from entering into a transaction with the Company, except in accordance with the policy.

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Under our Related Person Transaction Policy, the Chief Legal Officer is charged with primary responsibility for determining whether, based on the facts and circumstances, a related person has a direct or indirect material interest in a proposed transaction. To assist the Chief Legal Officer in making this determination, the policy sets forth certain categories of transactions that are deemed not to involve a direct or indirect material interest on behalf of the related person. If, after applying these categorical standards and weighing all of the facts and circumstances, the Chief Legal Officer determines that the related person would have a direct or indirect material interest in the transaction, the Chief Legal Officer must present the proposed transaction to the Audit Committee for review or, if impracticable under the circumstances, to the Chair of the Audit Committee. The Audit Committee must then either approve or reject the transaction in accordance with the terms of the policy. In the course of making this determination, the Audit Committee shall consider all relevant information available to it and, as appropriate, must take into consideration the following:

- Whether the proposed transaction was undertaken in the ordinary course of business of the Company;
- Whether the proposed transaction was initiated by the Company or the related person;
- Whether the proposed transaction contains terms no less favorable to the Company than terms that could have been reached with an unrelated third party;
- The purpose of, and the potential benefits to the Company of, the proposed transaction;
- The approximate dollar value of the proposed transaction, particularly as it involves the related person;
- The related person s interest in the proposed transaction; and
- Any other information regarding the related person s interest in the proposed transaction that would be material to investors under the circumstances.

The Audit Committee may only approve the proposed transaction if it determines that the transaction is not inconsistent with the best interests of the Company as a whole. Further, in approving any such transaction, the Audit Committee has the authority to impose any terms or conditions it deems appropriate on the Company or the related person. Absent this approval, no such transaction may be entered into by the Company with any related person.

Mr. Jon R. Moeller, the Company s Chief Financial Officer, is married to Lisa Sauer, a long-tenured employee of the Company who currently holds the position of Manager Global Product Supply, Purchases, Organic Materials. Her total compensation in the last year was approximately [ ], consisting of salary, bonus, equity grants and retirement benefits. Her compensation is consistent with the Company s overall compensation principles based on her years of experience, performance and position within the Company. Prior to Mr. Moeller becoming Chief Financial Officer, the Audit Committee approved the continued employment of Ms. Sauer with the Company under the Company s Related Person Transaction Policy, concluding that her continued employment was not inconsistent with the best interests of the Company as a whole.

Other than as noted above, there were no transactions, nor are there any currently proposed transactions, in which the Company or any of its subsidiaries was or is to be a participant, the amount involved exceeded $120,000, and any Director, Director nominee, executive officer or any of their immediate family members had a direct or indirect material interest reportable under applicable SEC rules or that required approval of the Audit Committee under the Company s Related Person Transaction Policy.

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Presiding Director and Executive Sessions

After consultation with the Governance & Public Responsibility Committee, the non-employee members of the Board of Directors reappointed W. James McNerney, Jr. to serve as the Presiding Director for fiscal year 2009 -10. Mr. McNerney began his service as Presiding Director on August 14, 2007. The Presiding Director acts as the key Board liaison with the Chief Executive Officer, assists in setting the Board agenda, chairs the executive sessions of the Board and communicates the Board of Directors feedback to the Chief Executive Officer.

The non-employee members of the Board of Directors met six times during fiscal year 2008-09 in executive session (without the presence of employee Directors or other employees of the Company) to discuss various matters related to the oversight of the Company, the management of Board affairs, succession planning for the Company s top management (including the Chief Executive Officer position), and the Chief Executive Officer s performance. It also met in semi-executive session (with the Chief Executive Officer present for portions of the discussion) on five occasions.

Communication with Directors and Executive Officers

Shareholders and others who wish to communicate with the Board of Directors or any particular Director, including the Presiding Director, or with any executive officer of the Company, may do so by writing to the following address:

[Name of Director(s)/Executive Officer or Board of Directors]

The Procter & Gamble Company

c/o Secretary

One Procter & Gamble Plaza

Cincinnati, OH 45202-3315

All such correspondence is reviewed by the Secretary s office, which logs the material for tracking purposes. The Board of Directors has asked the Secretary s office to forward to the appropriate Director(s) all correspondence, except for items unrelated to the functions of the Board of Directors, business solicitations, advertisements and materials that are profane.

Availability of Corporate Governance Documents

In addition to their availability on the Company s website at www.pg.com, copies of all Committee Charters, the Committee Charter Appendix, the Corporate Governance Guidelines, the Independence Guidelines, the *Worldwide Business Conduct Manual*, the Company s Purpose, Values and Principles and the Related Person Transaction Policy are available in print upon request by writing to the Company Secretary at One Procter & Gamble Plaza, Cincinnati, OH 45202-3315.

Shareholder Recommendations of Board Nominees and Committee Process for Recommending Board Nominees

The Governance & Public Responsibility Committee will consider shareholder recommendations for candidates for the Board, which should be submitted to:

Chair of the Governance & Public Responsibility Committee

The Procter & Gamble Company

c/o Secretary

One Procter & Gamble Plaza

Cincinnati, OH 45202-3315

Shareholder recommendations should include the name of the candidate, as well as relevant biographical information. The minimum qualifications and preferred specific qualities and skills required for Directors are set forth in Article II, Sections B through E of the Board s Corporate Governance Guidelines.

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The Committee considers all candidates using these criteria, regardless of the source of the recommendation. The Committee s process for evaluating candidates includes the considerations set forth in Article II, Section B of the Committee s Charter. After initial screening for minimum qualifications, the Committee determines appropriate next steps, including requests for additional information, reference checks and interviews with potential candidates. In addition to shareholder recommendations, the Committee also relies on recommendations from current Directors, Company personnel and others. From time to time, the Committee may engage the services of outside search firms to help identify candidates. During the fiscal year ended June 30, 2009, no such engagement existed (and none currently exists), and no funds were paid to outside parties in connection with the identification of nominees. All nominees for election as Directors who currently serve on the Board are known to the Committee and were recommended by the Committee to the Board as Director nominees.

Annual Meeting Attendance

The Board s expectation is that all its members attend the annual meeting of shareholders. All Directors, except Scott D. Cook who was unavailable due to personal reasons, attended the 2008 annual meeting.

Director Compensation

The following table and footnotes provide information regarding the compensation paid to the Company s non-employee Directors in fiscal year 2008-09. Directors who are employees of the Company receive no compensation for their services as Directors.

Director Compensation Table

Name	Annual Retainer ($)	Fees Committee Meeting Fees ($)	Committee Chair Fees[1] ($)	Total Fees Earned or Paid in Cash ($)	Stock Awards[2] ($)	All Other Compen-sation[3] ($)	Total ($)
Kenneth I. Chenault	100,000	34,000	0	134,000[4]	125,000	215	259,215
Scott D. Cook	100,000	12,000	0	112,000[5]	125,000	215	237,215
Rajat K. Gupta	100,000	30,000	0	130,000	125,000	215	255,215
Charles R. Lee	100,000	38,000	15,000	153,000	125,000	215	278,215
Lynn M. Martin	100,000	14,000	0	114,000	125,000	120	239,120
W. James McNerney, Jr.	100,000	22,000	10,000	132,000[6]	125,000	120	257,120
Johnathan A. Rodgers	100,000	4,000	0	104,000[7]	125,000	120	229,120
Ralph Snyderman	100,000	30,000	10,000	140,000[8]	125,000	215	265,215
Margaret C. Whitman	50,000	8,000	5,000	63,000	0	120	63,120
Patricia A. Woertz	100,000	36,000	0	136,000	125,000	120	261,120
Ernesto Zedillo	100,000	12,000	5,000	117,000[9]	125,000	120	242,120

1 The Committee Chair Fee for Ms. Whitman, who was Chair of the Governance & Public Responsibility Committee until her resignation from the Board on December 31, 2008, was prorated for July through December 2008. The Committee Chair Fee for Dr. Zedillo, who was named Chair of the Governance & Public Responsibility Committee at the Board of Directors meeting on February 10, 2009, was prorated for February through June 2009.

2 This grant date fair value of the restricted stock units (RSUs) awarded is recognized in the fiscal year for financial statement reporting purposes in accordance with Statement of Financial Accounting Standards 123, as revised (SFAS 123(R)). Because Ms. Whitman resigned from the Board effective December 31, 2008, she forfeited her 2008 award in accordance with the terms of The Procter & Gamble 2003 Non-Employee Directors Stock Plan. As of the end of fiscal year 2008-09:

a. Mr. Chenault has 3,433 unvested stock awards outstanding.

b. Mr. Cook has 16,587 unvested stock awards outstanding and 10,674 option awards outstanding.

c. Mr. Gupta has 3,835 unvested stock awards outstanding.
d. Mr. Lee has 36,909 unvested stock awards outstanding and 16,712 option awards outstanding.
e. Ms. Martin has 18,878 unvested stock awards outstanding and 16,712 option awards outstanding.
f. Mr. McNerney has 16,708 unvested stock awards outstanding.
g. Mr. Rodgers has 21,306 unvested stock awards outstanding and 6,644 option awards outstanding.
h. Dr. Snyderman has 37,188 unvested stock awards outstanding and 16,712 option awards outstanding.
i. Ms. Whitman has 10,740 unvested stock awards outstanding.
j. Ms. Woertz has 1,996 unvested stock awards outstanding.
k. Dr. Zedillo has 16,188 unvested stock awards outstanding and 6,644 option awards outstanding.

Unvested stock awards include RSUs that have not yet delivered in shares and restricted stock for which the restrictions have not lapsed. RSUs earn dividend equivalents which are accrued in the form of additional RSUs each quarter and credited to each Director s holdings. These RSUs have the same vesting restrictions as the underlying RSUs and are ultimately deliverable in shares. Restricted stock earns cash dividends that are paid quarterly.

3 The All Other Compensation total includes certain costs associated with Directors and their guests (spouse, family member or similar guest) attending Board meetings and/or Board activities. For the December 2008 Board meeting, each Director was encouraged to bring a guest. The Company incurred costs associated with providing a minor commemorative item to the Directors and certain activities for their accompanying guests. For all other regular Board meetings throughout the fiscal year, Directors were entitled to bring a guest so long as the Director used the Company aircraft to attend the meeting and the guest s attendance did not result in any incremental aircraft costs. Directors and their guests are also covered under the same insurance policy as all Company employees for accidental death while traveling on Company business (coverage is $750,000 for each Director and $300,000 for a guest). There is no incremental cost to the Company for this benefit. In addition, the Company maintains a Charitable Awards Program for current and retired Directors who were participants prior to July 1, 2003. Under this program, at their death, the Company donates $1,000,000 per Director to up to five qualifying charitable organizations selected by each Director. Directors derive no financial benefit from the program because the charitable deductions accrue solely to the Company. The Company funds this contribution from general corporate assets and made no payments during fiscal year 2008-09. This program was discontinued for any new Director effective July 1, 2003.

4 Mr. Chenault took his fees for the first half of the fiscal year in cash, and for the second half of the fiscal year in retirement restricted stock, which had a grant date fair value of $70,000.

5 Mr. Cook took his fees for the first half of the fiscal year in unrestricted stock which had a grant date fair value of $56,000 and for the second half of the fiscal year in retirement restricted stock, which had a grant date fair value of $56,000.

6 Mr. McNerney took all of his fees for fiscal year 2008-09 in unrestricted stock, which had a grant date fair value of $132,000.

7 Mr. Rodgers took 25% of his fees for fiscal year 2008-09 in cash and 75% of his fees for fiscal year 2008-09 in retirement restricted stock, which had a grant date fair value of $78,000.

8 Dr. Snyderman took his fees for the first half of the fiscal year as retirement restricted stock which had a grant date fair value of $69,000 and for the second half of the fiscal year in cash.

9 Dr. Zedillo took 50% of his retainer as cash and 50% of his retainer as retirement restricted stock, and 100% of his committee fees as cash. The retirement restricted stock had a grant date fair value of $50,000.

The objective of the Compensation & Leadership Development Committee of the Board of Directors is to provide non-employee members of the Board of Directors a compensation package consistent with the median of the Peer Group (as this group is further described on page [ ] of this proxy statement). In fiscal year 2008-09, non-employee members of the Board of Directors received the following compensation:

A grant of restricted stock units (RSUs) on October 14, 2008, following election to the Board at the Company s 2008 annual meeting of shareholders, with a grant date fair value of $125,000. These units are forfeitable if the Director resigns during the year, will not deliver in shares until at least one year after the Director leaves the Board, and cannot be sold or traded until delivered in shares, thus encouraging alignment with the Company s long-term interests and the interests of shareholders. These RSUs earn dividend equivalents at the same rate as dividends paid to shareholders;

An annual retainer fee of $100,000 paid in quarterly increments;

A committee meeting fee of $2,000 for every Committee meeting attended; and

An additional annual retainer paid to the Chair of each committee as follows: Chair of the Audit Committee, $15,000; Chairs of the Compensation & Leadership Development, Governance & Public Responsibility and Innovation & Technology Committees, $10,000.

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Directors can elect to receive any part of their fees or retainer (other than the grant of RSUs) as cash, retirement restricted stock, or unrestricted stock. The Company did not grant any stock options to Directors in fiscal year 2008-09.

Non-employee members of the Board of Directors must own Company stock and/or RSUs worth six times their annual cash retainer. Except for Mr. Gupta, who was appointed in June 2007, Ms. Woertz, who was appointed in January 2008, and Mr. Chenault, who was appointed in April 2008, all non-employee Directors have already achieved this ownership requirement. Ms. Woertz and Messrs. Gupta and Chenault are on track to achieve this goal within the five-year period established by the Compensation & Leadership Development Committee for achieving this level of ownership.

Report of the Compensation & Leadership Development Committee

The Compensation & Leadership Development Committee of the Board of Directors has reviewed and discussed the following section of this proxy statement entitled Compensation Discussion and Analysis with management. Based on this review and discussion, the Committee has recommended to the Board that the section entitled Compensation Discussion and Analysis as it appears below, be included in this proxy statement and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009.

W. James McNerney, Jr. (Chair)

Kenneth I. Chenault

Scott D. Cook

Charles R. Lee

August [ ], 2009

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Compensation Discussion and Analysis

Executive Summary

[ ]

What are the Company s overall compensation principles?

The Compensation & Leadership Development Committee designs and oversees the Company s compensation policies and approves compensation for all senior officers, including the Named Executive Officers. The Committee has established the following principles for compensating all Company employees:

- **Support the business strategy** We align compensation programs with business strategies focused on long-term growth and creating value for shareholders. We motivate executives to overcome challenges, to deliver commitments and to exceed Company goals;

- **Pay for performance** We pay higher compensation when goals are exceeded and lower compensation when goals are not met; and

- **Pay competitively** We set target compensation to be competitive with other multi-national corporations of similar size, value and complexity.

These principles serve the Company well and enable us to deliver strong shareholder value over time. Application of these principles also ensures the development and retention of talented employees who are committed to the Company s long-term success.

What are the Company s executive compensation objectives?

The Committee established the following objectives to continue the Company s history of superior management and leadership:

- **Drive superior business and financial performance** Inspire executives to achieve or exceed Company, business unit and individual goals;

- **Focus on long-term success** Ensure executives accountability for long-term success so the Company continues to provide superior returns for shareholders over time;

- **Ownership** Align executives with shareholders long-term interests by building significant ownership of Company stock into executive pay programs; and

- **Retention** Retain talented executives with demonstrated records of superior performance whose continued employment is key to overall Company success.

Who are the Company s Named Executive Officers?

The Company s Named Executive Officers for fiscal year 2008-09 are: A.G. Lafley, Chairman of the Board and Chief Executive Officer; Jon R. Moeller, Chief Financial Officer; Robert A. McDonald, Chief Operating Officer; Werner Geissler, Vice

Chairman Global Operations; E. Dimitri Panayotopoulos, Vice Chairman Global Household Care; Susan E. Arnold, former President, Global Business Units; and Clayton C. Daley, Jr., Vice Chairman and former Chief Financial Officer.

Effective July 1, 2009. Mr. Lafley stepped down as Chief Executive Officer and Mr. McDonald became President and Chief Executive Officer. Mr. Lafley will continue as Chairman of the Board.

Ms. Arnold and Mr. Daley were no longer executive officers of the Company at fiscal year-end and have announced their intention to retire. Since announcing their retirements, both have continued to report to Mr. Lafley, working on assignments and projects as required by Mr. Lafley.

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Throughout this Compensation Discussion and Analysis and the compensation tables that follow, we will refer to the title of each Named Executive Officer in effect on the last day of the fiscal year, June 30, 2009.

What are the elements of the Company s executive compensation programs?

The Company achieves its executive compensation objectives through the following programs in which some or all of our Named Executive Officers participate. A more detailed discussion of each program is provided later in this Compensation Discussion and Analysis.

How do we assure that compensation keeps executives focused on long-term success?

For our employees, focus on the long-term success of the Company begins at hire and is built over careers which often span decades. Because P&G has a longstanding practice of building the organization from within, most employees spend their entire career at the Company. P&G s people are a cornerstone of P&G s success.

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Employee stock ownership has long been an important aspect of the Company s culture of commitment to long-term success. William Cooper Procter established the Company s employee stock ownership plan in 1887, and today it is the oldest continuous profit sharing plan of its kind in the United States. For more than 120 years, this innovative plan has connected employees to the Company s long-term success. The Company makes annual contributions of P&G stock to the retirement accounts of all U.S.-based employees from the time that they complete their first two years of service until the end of their careers with P&G. Employees think and act like owners from the day they are hired until the day they retire. As a result, those who rise to the senior executive levels in the Company have been focused on the long-term success of the Company from the outset and continue this focus as their equity-based compensation increases over time. Our Named Executive Officers have an average of almost 30 years of service at the Company long-term careers during which these individuals first as employees, then as managers, then as senior executives build shareholder value and benefit from the value they help to create. This is enhanced by talented employees who join the Company through acquisitions.

In addition to PST, the Company makes an annual grant of stock options and RSUs to the Company s key managers. These awards reinforce the executives focus on the long-term success of the Company by tying their personal success to that of other shareholders. Our key managers hold stock options for an average of eight years (five years beyond the vesting date) before they exercise. These behaviors reflect a culture that is focused on, and confident in, the long-term success of the Company.

Many companies use employment contracts for their top executives. Generally, the Committee believes these arrangements are not necessary for our executives because most have spent the majority of their professional careers with the Company, and have developed a focus on the Company s long-term success. Except in certain circumstances such as acquisitions, or where required by law in certain jurisdictions, the Company does not have any employment contracts with its executives. None of our current Named Executive Officers has an employment contract.

Ownership and Holding Requirements Focus on Long-Term Success

The Committee established the Executive Share Ownership Program and Stock Option Exercise Holding Requirement Policy to ensure that our most senior executives, including the Named Executive Officers, continue to own and hold a significant amount of Company stock. This aligns management s interests with shareholders interests and further focuses executives on the long-term success of the Company.

The *Executive Share Ownership Program* requires executives to own shares of Company stock and/or RSUs valued at eight times base salary for the Chief Executive Officer, and five times base salary for the other Named Executive Officers. The Committee reviews the holdings of our Named Executive Officers annually, and in 2009 they each exceeded these requirements with the exception of the newly appointed Chief Financial Officer, who is on track to meet these requirements. The *Stock Option Exercise Holding Requirement Policy* ensures executives remain focused on sustained shareholder value, even after exercising stock options. Under this policy, the Chief Executive Officer must hold the net shares received from stock option exercises for at least two years, and the other Named Executive Officers must hold such net shares for at least one year after exercise. This policy reinforces our executives focus on the long-term business and financial performance of the Company. Incentive plan awards that executives elect to take as stock options instead of cash or unrestricted stock are not subject to the holding requirement.

Finally, to further align our executives with the interests of our shareholders, the Company s Insider Trading Policy prohibits collars, short sales, hedging investments or other derivative transactions involving Company stock. Purchases and sales of Company stock by Named Executive Officers can only be made during the one-month period following public earnings announcements or, if outside these window periods, with express permission from the Company s Chief Legal Officer or in accordance with a

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previously established trading plan that meets SEC requirements. Only Mr. Lafley currently has such a plan, which began in 2003 and is updated periodically, most recently in May 2007.

The Company Emphasizes Pay for Performance

Our long-term success depends on excellent financial and operational performance year after year. Therefore, the Committee ties approximately [ ] of our senior executives compensation to the achievement of short and long-term goals, taking into consideration the individual s impact on delivering those goals. If short-term and long-term financial and operational goals are not achieved, then performance-related compensation decreases. If goals are exceeded, then performance-related compensation increases.

Moreover, all compensation in the form of Company stock, RSUs or stock options changes in value with changes in the Company s stock price. Because such a large percentage of the Company s executive compensation is tied both to performance and to the Company s stock price, our executives have a significant stake in the long-term success of the Company just like other shareholders.

The chart below shows that [ ]% of the Chief Executive Officer s total compensation was performance-based and a full [ ]% of his total compensation was paid in stock, RSUs or options forms of compensation tied to the Company s stock price. Since becoming Chief Executive Officer in 2000, Mr. Lafley has received 80% of his compensation in equity, and has not sold any of these shares (except those used to pay taxes). On average, [ ]% of the other Named Executive Officers compensation was performance-based and [ ]% of their total compensation was in stock, RSUs or stock options. Tying pay to the Company s and the individual s performance, as well as to the Company s stock price, motivates Company executives to drive superior business and financial performance for the long-term, while retaining talented executives and encouraging stock ownership.

How is competitiveness established for executive compensation?

The Committee structures executive compensation so that total targeted annual cash and long-term compensation opportunities are competitive with comparable positions at 25 companies considered to be our peers (based on criteria described below) (Peer Group). The Committee sets targets for each element of compensation based on the same elements of compensation paid to those holding similar jobs at companies in our Peer Group, focusing on positions with similar management and revenue responsibility. The Committee uses a regression analysis to adjust for the differences in revenue size within Peer Group companies.

The Peer Group consists of companies that generally meet the following criteria:

Revenue comparable to the Company ($83 billion in fiscal year 2007-08) and/or market capitalization comparable to the Company (approximately $185 billion as of June 30, 2008);

- Peer group revenues range from $15 billion to $425 billion with a median of $61 billion; and

- Peer group market capitalization ranges from $20 billion to $328 billion with a median of $61 billion.

Compete with the Company in the marketplace for business and investment capital;

Compete with the Company for executive talent; and

Have generally similar pay models (we do not compare with financial services, insurance or utility companies where the mix of pay elements or program structure is materially different).

The Committee evaluates and, if appropriate, updates the composition of the Peer Group each year to ensure it remains relevant and is not skewed by over-representation of any non-consumer products industry. Changes to the Peer Group are carefully considered and made infrequently to assure continuity from year to year. The Peer Group currently consists of the following companies:

3M	Coca-Cola	General Electric	Kimberly-Clark	Pfizer
Altria Group	Colgate-Palmolive	Hewlett-Packard	Kraft Foods	Target
AT&T	ConocoPhillips	Home Depot	Lockheed Martin	United Technologies
Boeing	Du Pont	IBM	Merck	Verizon Communications
Chevron	Exxon Mobil	Johnson & Johnson	PepsiCo	Wal-Mart Stores

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At its annual review in April 2009, the Committee replaced General Motors and Motorola with ConocoPhillips and United Technologies which better fit the Committee s criteria for market capitalization and pay models.

While Named Executive Officers total compensation targets are set consistent with total compensation in our Peer Group, actual compensation varies depending on business unit and individual performance. This may result in substantial differences among the Named Executive Officers pay. Consistent with our principles to pay competitively and to pay for performance, the Committee does not set guidelines for the ratio of any one position s pay to another such as Chief Executive Officer pay relative to other Named Executive Officers.

The Committee has directed Frederic W. Cook & Co., its outside and independent compensation consultant, to advise it on various compensation matters, including peer group identification, competitive practices and trends, specific program design, and Committee actions with respect to principal officer compensation. Under the terms of its agreement with the Committee, Frederic W. Cook & Co. is prohibited from doing any other business for the Company or its management, and the Committee may contact Frederic W. Cook & Co. without any interaction from Company management. This is meant to ensure the independence of the Committee s compensation consultant. Consistent with the terms of the Committee s agreement with Frederic W. Cook & Co., the Committee has adopted a policy prohibiting any compensation consultant retained by the Committee from doing any other business for the Company or its management.

Company management uses a separate compensation consultant, Hewitt Associates, to provide compensation advice, competitive survey data and other benchmark information related to trends and competitive practices in executive compensation.

Details regarding each element of executive compensation

Annual Cash Compensation

The building blocks of the Company s annual cash compensation program are base salary and annual bonus (STAR). We collect and analyze data from the Peer Group on the total annual cash compensation (base salary plus annual bonus target) of positions comparable to those at the Company. For each position, we set a target amount for both base salary and STAR, where the STAR Target is the amount payable as a percentage of annual base salary if all goals are met. The sum of the base salary and STAR targets for each position is generally set at the median annual cash compensation of our Peer Group for each position, adjusted for size using a regression analysis of Peer Group revenues.

Base Salary

Base salary provides a competitive fixed rate of pay, recognizing different levels of responsibility within the Company. Salaries are the basis for the other performance-driven programs discussed below, as well as the basis for retirement programs, executive group life insurance and certain benefits available to all employees. [ ]

STAR Annual Bonus

The STAR bonus program provides an incentive for approximately 14,000 senior managers to achieve and exceed the annual business goals set for the business units and the Company as a whole. The program rewards outstanding business results and pays reduced awards when target business goals are not met. The program primarily focuses on the achievement of business unit results, as well as total Company performance. STAR Awards are paid in cash, RSUs, stock options or deferred compensation, at the executive s election.

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STAR Awards are based on three factors: 1) STAR Target; 2) business unit performance; and 3) total Company performance. By multiplying these factors, as shown in the formula below, both individual business unit and Company performance are recognized. The measures that determine each factor are discussed below. The STAR Award calculation is:

STAR Target ($)	X	Business Unit Factor (%)	X	Total Company Factor (%)	=	STAR Award ($)

The basis for each element of the STAR Award is:

STAR Target STAR Targets, expressed as a percentage of base salaries, are set by the Committee for Named Executive Officers based on the target bonus for similar positions at Peer Group companies. This year, based on an analysis of annual cash compensation and bonus targets at Peer Group companies, the Committee increased Mr. Lafley s STAR Target from 170% to 175% of base salary. Ms. Arnold s and Mr. McDonald s STAR Targets were increased from 115% to 125% of base salary. Mr. Daley s STAR Target remained flat versus the prior year at 115%, and Mr. Moeller s STAR Target was 45% for the first six months of the fiscal year and with his promotion to Chief Financial Officer was set at 105% for the last six months of the fiscal year. Messrs. Geissler and Panayotopoulos had STAR Targets of 90%, consistent with the prior year.

Business Unit Factor Tying STAR awards to business unit results motivates participants to help their business succeed. The Business Unit Factor determined for each business unit ranges from 53% to 167% (with a target level of 100%). The Business Unit Factor has a wider range and the greatest potential impact on the amount of the final award. The targets for each business unit vary, reflecting a variety of factors such as the different industries in which the Company s businesses compete, their competitive position within those industries and their growth potential. The targets are determined based on the long-term goals in relation to each business role in the Company s portfolio. The Committee carefully considers the metrics used to measure performance to minimize the risk of too much focus on one result to the detriment of building long-term shareholder value. Each Business Unit s performance against these targets is discussed and evaluated by the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and the Global Human Resources Officer, who collectively make a recommendation for each Business Unit Factor to the Committee for review and approval. Each Business Unit Factor is determined by:

- *Quantitative measurements* of top-line growth in volume, sales and market share, and bottom-line measures of profit, operating cash flow and operating total shareholder return (a cash flow return on investment model that measures sales growth, earnings growth and cash flow to determine the rate of return that a business earns); and

- *Qualitative measures* which are retrospective assessments of performance relative to competitors, coordination and collaboration with other Company business units, the quality of business strategy and business model, the strength of the innovation program and portfolio and other considerations such as adherence to ethical standards and response to unpredictable events like natural disasters.

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Fiscal Year 2008-09 Results: The table below summarizes: 1) the quantitative measures used to determine each Business Unit Factor, 2) the fiscal year results for those quantitative measures, and 3) the Business Unit Factor recommended to the Committee for each Named Executive Officer other than Messrs. Lafley, Moeller and McDonald.

Named Executive Officer	Role	Business Unit Factor Inputs*	Relevant Results	Business Unit Factor %
Werner Geissler	Vice Chairman of Global Operations			
E. Dimitri Panayotopoulos	Vice Chairman of Household Care GBU			
Susan E. Arnold	Former President, Global Business Units			
Clayton C. Daley	Vice Chairman and Former Chief Financial Officer			

* Business Unit Factor Inputs also include an evaluation of other quantitative and qualitative measures as described above.

Total Company Factor Based on a numeric formula ranging from 80% to 130% (with a target level of 100%), this factor is determined by equally weighting two measures against targets predetermined by the Committee: 1) organic sales growth, and 2) earnings per share (EPS) growth. The Committee selected metrics that in combination encourage a balanced focus on both short and long-term results.

Organic sales growth: Organic sales growth excludes the impact of acquisitions, divestitures and foreign exchange. The Committee selected organic sales growth because it drives total shareholder return, is a tangible measure for which managers take ownership and is directly linked to the performance of each business. For fiscal year 2008-09, the target was 5%, which is at the midpoint of the Company s long-term goal of 4% to 6%.

EPS growth: This measure is used in the STAR calculation because it assures continued Company alignment with shareholder interests. The target for fiscal year 2008-09 was 10% diluted EPS growth, consistent with the Company s long-term goal.

Fiscal Year 2008-09 Results: Reported organic sales growth for the Company was [ ]%, and EPS growth was [ ]. These two results are equally weighted and, when entered into a formula previously approved by the Committee, derived a Total Company Factor of [ ]%, which was [ ] the target of 100%.

The recommended STAR Awards for Ms. Arnold and Messrs. Geissler, Panayotopoulos and Daley were set using the multiplicative formula shown and described above. The recommendations for Ms. Arnold and Mr. Daley were based on [ ]. The Committee reviews the recommendations for the Business Unit Factors and total STAR Award and considering Company performance results, determines final payments for these Named Executive Officers.

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Because they evaluate and recommend Business Unit Factors for the other Named Executive Officers, the STAR Awards for Messrs. Lafley, Moeller and McDonald are determined separately and directly by the Committee. The Committee sets their awards after the range for all other STAR Awards is decided, taking into account [ ]. The Committee retains the authority to make no award in a given year and the discretion to accept, modify, or reject management s recommendations for any or all employees, including the Named Executive Officers.

For fiscal year 2008-09, the combined STAR performance factors resulted in a Company average STAR Award of [ ]% of STAR Target. The Committee concluded that Mr. Lafley should receive an award of [ ] based on [ ]. Mr. Moeller s award of [ ] was based on [ ]. Based on [ ], Mr. McDonald received an award of [ ].

The following shows the actual STAR calculation for each Named Executive Officer:

STAR Annual Bonus

(Dollar Figures Shown in Thousands)

Named Executive Officer	STAR Target ($)	Total Company Factor	Business Unit Factor	STAR Award ($)	STAR Award as % of Target
A.G. Lafley		Committee Decision Based on Performance			
Jon R. Moeller		Committee Decision Based on Performance			
Robert A. McDonald		Committee Decision Based on Performance			
Werner Geissler					
E. Dimitri Panayotopoulos					
Susan E. Arnold					
Clayton C. Daley, Jr.					

Summary of Total Annual Cash Compensation

The total annual cash compensation for each of our Named Executive Officers for fiscal year 2008-09 is the sum of each officer s base salary and STAR award and reflects his or her performance in a company of our size, scope and complexity. [ ]

Long-Term Incentive Programs

Long-term incentive compensation comprises the majority of total compensation for executives and is paid through two programs the Key Manager Annual Stock Grant and the BGP three-year incentive plan. The Committee establishes an annual target for total long-term compensation consistent with the median, total long-term compensation of comparable positions at Peer Group companies regressed for revenue size. It then allocates this overall target into a target for each of the two programs. BGP allocations are annualized based on salaries at the beginning of each BGP three-year cycle. The amounts allocated to the Key Manager program are established by subtracting these BGP allocations from the median total long-term compensation of similar positions in the Peer Group described above. Actual amounts earned depend upon Company and individual performance.

Key Manager Stock Grant

The Key Manager Stock Grant, which is paid in stock options and RSUs, focuses senior executives attention on the long-term performance of the Company and directly links executives interests to those of the shareholders. Stock options are not exercisable (do not vest) until three years from the grant and

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expire ten years from the date of grant. RSUs deliver in shares five years from the date of grant. These restrictions enhance retention because employees who voluntarily resign from the Company during the specified periods prior to retirement forfeit their grants.

Once the Key Manager Grant target is established based on Peer Group competitive data, the Chief Executive Officer recommends specific grants to the Committee for Named Executive Officers based on their individual performance. These recommendations can be up to 50% above or 50% below target. In exceptional cases, no grant will be awarded. The Committee retains full authority to accept, modify or reject these recommendations.

For the 2008-09 fiscal year, the Committee awarded grants to the Named Executive Officers as follows: [ ]. Named Executive Officers receive 50% of their respective award in stock options, and the remaining 50% may be taken in stock options or RSUs at the election of the Named Executive Officer.

The Committee determined Mr. Lafley s Key Manager Grant based on [ ]. Mr. Lafley s Key Manager Grant was awarded in 50% RSUs and 50% stock options.

Business Growth Program (BGP) Three-Year Incentive

BGP is the second component of the Company s long-term incentive compensation for its senior executives. It focuses executives on the long-term goals most critical to the overall success of the Company. BGP compensation is subject to the achievement of specific Company growth objectives over a three-year performance period. On June 30, 2008, the Company s current BGP program expired on its own terms. The Committee renewed BGP, incorporating the Company s current business objectives for the new three-year performance period beginning July 1, 2008 and ending on June 30, 2011 (Performance Period). In setting the performance metrics for the new Performance Period, the Committee took the metrics from the previous three-year program operating total shareholder return and earnings per share growth and broke operating total shareholder return into the following: organic sales growth, before tax operating profit and free cash flow efficiency. Separating the combined measure makes each metric more visible to participants, allowing them to focus on delivering each of these important long-term goals.

The three-year BGP Awards are based on the Company s performance in each of the following four performance categories measured against the three-year performance goals established by the Committee at the beginning of the Performance Period:

Performance Category	**Description**	**Three-Year Goal**
Organic Sales Growth	Sales growth that excludes the impact of acquisitions, divestitures and foreign exchange	5% compound annual growth
Before Tax Operating Profit	Net sales, less the cost of product sold and less selling, general and administrative expense	9% compound annual growth
Free Cash Flow Efficiency	Operating cash flow, less capital spending, divided by net earnings	95% annually
Diluted EPS Growth	Diluted earnings per share growth	10% compound annual growth

Basing BGP Awards on these four metrics encourages sound business decisions for the long-term health of the Company and minimizes the risk that participants over-emphasize one success measure to the detriment of others.

At the end of the Performance Period, the Committee determines the Payout Factor for each performance category by comparing the Company s results to a sliding payout scale ranging from 0%-200%. By rewarding incremental improvements in Company results, as opposed to all or nothing three-year goals, this pay-out mechanism discourages the taking of unnecessary risks to ensure a Final Payment under the program. This aligns the interests of the Named Executive Officers with shareholders by encouraging participants to focus on the long-term performance of the Company over a multi-year period.

The target BGP award for the three-year performance period is six times base salary for the Chief Executive Officer and three times base salary for the other Named Executive Officers.

The payout formula for the BGP Award is:

1/4 of Target		**1/4 of Target**		**1/4 of Target**		**1/4 of Target**
x	**+**	**x**	**+**	**x**	**+**	**x**
Organic Sales		**Operating Profit**		**Free Cash Flow Efficiency**		**EPS Growth**
Payout Factor		**Payout Factor**		**Payout Factor**		**Payout Factor**

While the BGP payout formula is based on results at the end of the Performance Period, the Committee may make an Interim Payment at the end of year one for any performance category where Company results are on track to meet or exceed the three-year performance goals. At the end of year two, the Committee may make an Interim Payment for each performance category where the Company s cumulative results for years one and two are on track to meet or exceed the three-year performance goals. For Interim Payments, the Payout Factor for each performance category is 0% if results are not on track and 100% if results are on track to meet or exceed the three-year performance goals. The total amount of any Interim Payment is calculated using these Payout Factors (0% or 100%) in the payout formula above to obtain a total, and then by dividing this total by three (since any Interim Payment is based on annual performance against the three-year program). The Committee uses these interim payments to even out compensation when performance is on track.

At the end of the third year of the Performance Period, the Final Payment of the BGP Award will be calculated by inserting the applicable Payout Factors (from the 0%-200% payout scale) in the above payout formula to obtain a total, and then subtracting any Interim Payments made during the Performance Period from this total. In the unlikely event that total Interim Payments exceed the amount of the BGP Award Final Payment, the Committee will require repayment of any amount overpaid. The Committee may make adjustments for program participants who did not participate for the entire Performance Period and may make any necessary adjustments to the payments pursuant to program accounting guidelines. The Committee retains discretion to reduce or eliminate either Final or Interim Payments if it determines that such payments are inconsistent with shareholders best interests.

Any Interim Payment will be paid 75% in RSUs and 25% in cash to more closely align executives with shareholder interests during the Performance Period. Any Final Payment will be made in 100% cash. Participants may elect to receive RSUs or deferred compensation instead of cash. BGP RSUs deliver in shares on the day of the Final Payment if any. Paying a portion of BGP Awards in RSUs aligns participants with shareholder interests and promotes the retention of key top talent who will forfeit undelivered RSUs if they resign.

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Fiscal Year 2008-2009 Results [ ]

Performance Category	Target	Result	Payout Factor
Organic Sales Growth	5%		
Before Tax Operating Profit Growth	9%		
Free Cash Flow Efficiency	95%		
Diluted EPS Growth	10%		

BGP Payment Summary

(Dollar Figures Shown in Thousands)

Named Executive Officer	Three-year BGP Target	Number of Performance Categories on Track (100% Payout Factor)	Year 1 Interim Payment Calculation	Interim Payment (Target x Interim Payment Calculation)
A. G. Lafley				
Jon R. Moeller				
Robert A. McDonald				
Werner Geissler				
E. Dimitri Panayotopoulos				
Susan E. Arnold				
Clayton C. Daley				

Summary of Long-Term Incentive Compensation

Our Named Executive Officers total long-term incentive compensation includes the Key Manager Stock Grant and any Interim or Final Payment amounts under the three-year BGP. The Committee considers the performance of these individuals in the context of the size and scope of the organization in which they lead. [ ]

Special Equity Awards

On rare occasions, the Committee makes special equity grants in the form of restricted stock or RSUs to senior executives to assure retention of the talent necessary to manage the Company successfully or to recognize superior performance. In 2008-09 the Committee awarded two special equity grants, in the form of RSUs, to recognize superior performance by Mr. Lafley and Mr. Daley in connection with one of the largest and most successful transactions in the Company s history the acquisition and integration of The Gillette Company. Specifically, the Committee recognized Mr. Lafley s foresight for initiating the acquisition and his leadership throughout the acquisition and integration process by granting him a $3,500,000 award paid in RSUs on February 27, 2009. These RSUs are forfeitable until August 27, 2009 and will deliver in shares on February 27, 2012 unless deferred by Mr. Lafley. The Committee separately granted Mr. Daley a $1,500,000 award paid in RSUs on August 12, 2008, recognizing the integral role that he played in the valuation, negotiation and acquisition of Gillette as well as his role in the integration of Gillette into P&G. Mr. Daley s RSUs are forfeitable until August 12, 2010, although retirement prior to that date will not result in forfeiture. Unless Mr. Daley chooses to defer, the RSUs will deliver in shares on August 12, 2010.

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Retirement Programs

PST is the Company s primary retirement program for U.S.-based employees. PST is a qualified defined contribution plan providing retirement benefits for full-time U.S. employees, including the Named Executive Officers. Under the PST program, each employee s PST account receives an annual grant of Company stock, upon which dividends are earned. The amount of the stock grant varies based upon individual base salaries and years of service.

Some participants in PST (including the Named Executive Officers) do not receive their full grant due to federal tax limitations and participate in the nonqualified PST Restoration Program. These individuals receive RSUs equal to the difference between the amount granted under PST and what would have otherwise been granted under PST, but for the tax limitations. Participants are vested in their PST accounts after five years and their PST Restoration RSUs are forfeitable until they become eligible for retirement.

We are proud of the way PST and PST Restoration have created ownership at all levels of our Company. We believe these programs continue to serve the Company and its shareholders well by focusing employees on the long-term success of the business. We do not have Special Executive Retirement Programs (SERP) for our senior executives. Because the accumulation of retirement benefits for all other U.S. employees is dependent upon the Company s share price and PST contributions, we believe it is appropriate for the Named Executive Officers to share the same risk and reward.

For non U.S.-based employees, the Company offers individual country pension plans that provide retirement benefits. In addition, the Company offers the International Retirement Plan (IRP) and the Global International Retirement Arrangement which provide supplemental benefits to senior executives who work in multiple countries during their careers. Employees on extended expatriate assignments or who transfer out of their home country on a permanent basis also receive competitive retirement benefits under international retirement plans. Messrs. Geissler and Panayotopoulos participate in these programs.

Executive Benefits

The Company provides limited benefits to certain executives to fulfill particular business purposes. Benefits such as home security systems, secured workplace parking and an annual physical health examination are provided to safeguard Named Executive Officers. While Company aircraft are generally used for Company business only, for security reasons Mr. Lafley is required by the Board to use Company aircraft for all air travel, including personal travel. To increase executive efficiency, in limited circumstances, Named Executive Officers may travel to outside board meetings on Company aircraft, in which case the Company generally receives some reimbursement from the companies on whose boards our executives serve. In addition, if a Company aircraft flight is already scheduled for business purposes and can accommodate additional passengers, Named Executive Officers and their spouse/guests may join flights for personal travel. To the extent any travel on Company aircraft results in imputed income to the Named Executive Officer, the Company does not provide gross-up payments to cover the Named Executive Officer s personal income tax due on such imputed income. We also reimburse Named Executive Officers for tax preparation and some financial counseling to focus their attention on Company business issues and assure accurate personal tax reporting. To remain competitive and retain our top executives, we offer executive group whole life insurance coverage (equal to base salary plus STAR Target). Finally, to further increase executive efficiency, we provide limited local transportation within Cincinnati.

In general, executive benefits make up a very small percentage of total compensation (less than 1%) for the Named Executive Officers. The Company does not gross-up payments to cover personal income taxes that may pertain to any of the executive benefits. The Committee reviews these arrangements regularly to assure they continue to fulfill business needs.

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Total Compensation for Named Executive Officers

Given the Company s emphasis on stock-based compensation and because the SEC requires stock-based compensation to be reported based on what is expensed in our financial statements, we provide the table below to facilitate understanding of the actual compensation awarded to our Named Executive Officers in the fiscal year. The table summarizes all compensation awarded to Named Executive Officers in the fiscal year and reconciles amounts shown in the table to amounts in the Summary Compensation Table that follows this Compensation Discussion and Analysis. Inclusion of this table is not designed to replace the Summary Compensation Table, but rather to reflect the Committee s decisions about compensation awarded to the Named Executive Officers during the fiscal year and to better illustrate the relationship between compensation and performance for the period reported.

Actual Compensation Awarded 2008-09

	Actual Compensation Awarded in 2008-09								Adjustments Required for Summary Compensation Table					
	Salary ($)	STAR Annual Bonus ($)	Value of Key Manager Award[1] ($)	BGP Award ($)	Special Equity Award ($)	PST Restoration or IRP Award ($)	Other Compensation[2] ($)	Total Compensation Awarded ($)	Plus Prior stock option grants expensed this FY ($)	Plus Prior RS/RSU grants expensed this FY ($)	Less 2009 stock options to be expensed in future FY ($)	Plus tax and other payments for prior expatriate assignment ($)	Net Difference ($)	Total i Summa Compe sation Table ($)
G. Lafley														
n R. Moeller														
bert A. McDonald														
erner Geissler														
Dimitri Panayotopoulos														
san E. Arnold														
ayton C. Daley, Jr.														

1 Represents the grant date fair value of the 2009 Key Manager Stock Award determined in accordance with SFAS 123(R).
2 Represents total of PST contribution and other executive benefits.

Chief Executive Officer Compensation

Mr. Lafley s compensation is determined by the Committee using the same principles applied to all Company executives. The Committee works to make its process for assessing Mr. Lafley s performance rigorous and objective, with performance standards based on what is important to the Company s success. The entire process is supported by the Committee s independent compensation consultant, Frederic W. Cook & Co., which does no other work for the Company.

Mr. Lafley s total compensation is linked directly to his personal performance and the Company s performance. Through STAR and BGP, his compensation is aligned with business strategies and focused on rewarding sustained, long-term growth in shareholder value. [ ]

The Committee primarily considered the following factors in determining Mr. Lafley s short and long-term incentive compensation in fiscal year 2008-09:

The Company s overall results for fiscal year 2008-09;

Mr. Lafley s individual performance during the year;

The compensation awarded to other chief executives in our Peer Group producing similar results; and

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Our compensation principles and objectives as discussed on pages [ ] to [ ] of this proxy statement.
In evaluating Mr. Lafley s individual performance, the Committee considered the results of Mr. Lafley s individual leadership and his focus on sustaining growth for the future of the Company, including: [ ]

To gain further perspective on Mr. Lafley s total compensation, before making decisions on each element of his total compensation, the Committee reviews a summary of all elements of Mr. Lafley s total compensation, including base salary, STAR annual bonus, Key Manager Stock Grant, BGP three-year incentive award, any special equity award, unrealized gains from stock options, restricted stock and RSUs, and the cost to the Company of all retirement programs, benefits and executive benefits. Based on its review of this summary and in consultation with its independent compensation consultant, the Committee determined that [ ].

Additional Information

This additional information may assist the reader in better understanding the Company s compensation practices and principles.

Role of the Chief Executive Officer in Setting Other Named Executive Officers Compensation

The Committee has broad authority over the compensation of the Company s Named Executive Officers, including the review and evaluation of their total compensation. The Chief Executive Officer makes recommendations to the Committee regarding the annual cash and long-term incentive compensation of the Company s Named Executive Officers (other than his own) based on Company performance, individual performance and input from the Company s compensation consultant and the Committee s independent compensation consultant. All final decisions regarding compensation for Named Executive Officers are made by the Committee.

Tax Gross-Ups

Generally, the Company does not increase payments to any employees, including Named Executive Officers, to cover non-business-related personal income taxes. However, certain expatriate allowances, relocation reimbursements and tax equalization payments are made to employees assigned to work outside their home countries, and the Company will cover the personal income taxes due on these items in accordance with expatriate policy. In addition, from time to time, the Company may be required to pay personal income taxes for certain separating executives hired through acquisitions in conjunction with contractual obligations.

Governing Plans, Timing and Pricing of Stock-Based Grants

All grants of stock options, restricted stock and/or RSUs are made under The Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended) (2001 Plan) or The Gillette Company 2004 Long-Term Incentive Plan (Gillette Plan). The 2001 Plan was approved by Company shareholders in 2001. The Gillette Plan was approved by Gillette shareholders in 2004 and adopted by the Company in 2005 as part of our merger with The Gillette Company.

With the exception of any Special Equity Awards discussed on page [ ], the Company grants stock, RSUs and stock options on dates that are consistent from year to year. If the Committee changes a grant date, it is done in advance and only after careful review and discussion. The Company has never repriced stock options and is not permitted to do so without prior shareholder approval.

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We use the closing price of the Company s stock on the date of grant to determine the grant price for executive compensation awards. However, because PST uses the value of shares based on the average price of Company stock for the last five days in June, the grants of RSUs made under PST Restoration and IRP follow this same grant price practice. The pre-established grant dates for the programs are as follows: PST Restoration and IRP, first Thursday in August; STAR and BGP, last business day on or before September 15; Key Manager Stock Grants, last business day of February (and, if necessary for corrections, on the last business day on or before May 9).

Recoupment Policy

The Committee has adopted the Senior Executive Officer Recoupment Policy that permits the Company to recoup or claw back STAR or BGP payments made to executives in the event of a significant restatement of financial results for any reason. This authority is in addition to the Committee s authority under the 2001 Plan to suspend or terminate any outstanding stock option if the Committee determines that the participant acted significantly contrary to the best interests of the Company or its subsidiaries.

Deferred Compensation Plan

The Procter & Gamble Company Executive Deferred Compensation Plan allows executives to defer receipt of up to 100% of their STAR annual bonus, up to 25% of their interim BGP payments and 100% of their final BGP payment, and/or up to 50% of their annual base salary. Beginning in 2008-09 executives may also elect to convert a portion of their PST Restoration RSUs into notional cash contributions to the Deferred Compensation Plan with investment choices that mirror those available to all U.S. employees who participate in the Company s 401(k) plan. No above-market or preferential interest is credited on deferred compensation, as those terms are defined by the SEC.

Tax Treatment of Certain Compensation

Section 162(m) of the Internal Revenue Code limits the Company deductibility of executive compensation paid to certain Named Executive Officers to $1,000,000 per year, but contains an exception for certain performance-based compensation.

For fiscal year 2008-09, awards granted under the STAR, Key Manager and BGP programs satisfied the performance-based requirements for deductible compensation. The Committee approved award pools for STAR and BGP based on net earnings with a maximum portion of each pool set for each of the Named Executive Officers subject to Section 162(m). The Committee then used its discretion to determine STAR Awards and BGP payments based on Company and business results. Each of the amounts approved for Named Executive Officers subject to Section 162(m) were below the maximums established, and are therefore deductible by the Company.

Company deductibility of compensation was taken into account by the Committee when setting compensation levels for current Named Executive Officers. While the Committee s general policy is to preserve the deductibility of compensation paid to the Named Executive Officers, the Committee nevertheless authorizes payments that might not be deductible if it believes they are in the best interests of the Company and its shareholders. The Committee determined that it was appropriate to pay Mr. Lafley a competitive base salary of [ ], although [ ] was not deductible by the Company. Named Executive Officers are eligible for certain grants that may not be deductible by the Company. In certain years, individuals may receive non-deductible payments resulting from awards made prior to becoming a Named Executive Officer.

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2009-10 Executive Compensation Changes

As further described in this Proxy Statement on pages [ ] to [ ], the Board is proposing that Company shareholders approve The Procter & Gamble 2009 Stock and Incentive Compensation Plan, attached to this proxy statement as Exhibit C. [ ].

Executive Compensation

The following tables, footnotes and narratives, found on pages [ ] to [ ], provide information regarding the compensation, benefits and equity holdings in the Company for the Named Executive Officers. The tables reflect each Named Executive Officer s title as of June 30, 2009.

Summary Compensation

The following table and footnotes provide information regarding the compensation of the Named Executive Officers for the fiscal years shown.

Summary Compensation Table

Name and Principal Position	Year	Salary[1] ($)	Bonus[2] ($)	Stock Awards[3] ($)	Option Awards[4] ($)	Non-Equity Incentive Plan Compensation[5] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[6] ($)	All Other Compensation[7] ($)	Total ($)
A. G. Lafley	2008-09								
Chairman of	2007-08	1,700,000	4,000,000	9,139,783	7,782,736	566,100	0	343,791	23,532,410
the Board and Chief	2006-07	1,700,000	3,500,000	9,230,459	10,327,514	2,601,000	0	376,761	27,735,734
Executive Officer									
Jon R. Moeller	2008-09								
Chief Financial									
Officer									
Robert A. McDonald	2008-09								
Chief Operating	2007-08	1,000,000	1,640,619	621,575	7,187,889	151,515	0	350,179	10,951,777
Officer	2006-07	910,000	1,064,274	1,147,466	3,484,793	696,150	0	321,591	7,624,274
Werner Geissler	2008-09								
Vice Chairman-Global									
Operations									
E. Dimitri	2008-09								
Panayotopoulos	2007-08	910,000	1,313,164	499,579	2,935,217	133,200	0	2,241,145	8,032,305
Vice Chairman Global									
Household Care									
Susan E. Arnold	2008-09								
Former President-	2007-08	1,000,000	1,524,469	471,580	4,346,219	151,515	0	59,487	7,553,270
Global Business Units	2006-07	910,000	946,021	1,047,474	2,445,322	696,150	0	65,840	6,110,807
Clayton C. Daley, Jr.	2008-09								
Vice Chairman	2007-08	910,000	1,453,327	1,262,555	2,751,751	139,860	0	66,893	6,584,386
and Former Chief	2006-07	895,000	1,005,550	790,604	4,167,534	642,600	0	93,761	7,595,049
Financial Officer									

1 [ ]
2

For fiscal year 2008-09, Bonus reflects 2008-09 STAR awards made in the form of cash or deferred compensation. Each Named Executive Officer can elect to take his or her STAR award in cash, deferred compensation, RSUs or stock options. For fiscal year 2008-09, each Named Executive Officer elected 100% cash except Mr. Lafley, who elected 100% deferred compensation and Mr. Geissler, who elected 50% cash and 50% deferred compensation. The totals above reflect the amounts earned for fiscal year 2008-09 that will be paid on September 15, 2009.

3 For fiscal year 2008-09, Stock Awards includes any of the 2008-09 BGP award earned in the fiscal year that will be paid in RSUs on September 15, 2009, including 75% of the award required to be paid in RSUs. Stock Awards also includes amounts expensed in the fiscal year for PST Restoration Program awards and IRP awards earned during the fiscal year and granted in the form of RSUs on August

6, 2009. For Mr. Lafley, 2008-09 Stock Awards also includes the amounts expensed in the fiscal year for his February 2009 Key Manager RSU award. For Mr. Daley and Mr. Geissler, 2008-09 Stock Awards includes the amount expensed in the fiscal year for the [ ]% of each of their Key Manager Awards that they elected to take as RSUs. For Messrs. Lafley and Daley, 2008-09 Stock Awards includes amounts expensed during the fiscal year for the special equity grant of RSUs that each received during the fiscal year. For Messrs. Geissler, McDonald, Moeller, and Panayotopoulos, 2008-09 Stock Awards also includes amounts expensed during the fiscal year for special equity grants of restricted stock or RSUs awarded to each of them in a prior year. The fair value of these awards is determined in accordance with SFAS 123(R). Please see Note [ ] to the Consolidated Financial Statements contained in the Company s 2009 Annual Report for more information.

4 Option Awards for fiscal year 2008-09 includes the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2008-09, in accordance with SFAS 123(R). As described on page [ ] of this proxy statement, executives must remain employed for six months after the date of a Key Manager Annual Stock Grant in order to retain the award (retention period) and Key Manager option grants vest three years from the date of grant (vesting period). For retirement eligible executives, the fair value of the award is fully expensed over the retention period. For executives who become retirement eligible during the vesting period, the fair value of the award is expensed over the longer of the retention period or the period from the grant date until the date of retirement eligibility. For executives not yet retirement eligible and who will not become retirement eligible during the vesting period, the fair value is expensed over the vesting period. Where applicable, amounts expensed during fiscal year 2008-09 for grants made in prior years are also included in this column. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the assumptions made in the valuation for the current year awards reflected in this column, please see Note [ ] to the Consolidated Financial Statements contained in the Company s 2009 Annual Report. For information on the valuation assumptions with respect to grants made in prior fiscal years, please see the corresponding note to the Consolidated Financial Statements contained in the Company s Annual Report in the respective fiscal year. Because Ms. Arnold and Messrs. Daley, Geissler, Lafley, McDonald and Panayotopoulos received a grant in the January-March quarter and were retirement eligible within the retention period for that grant, the full grant value was expensed over the retention period which fell within the fiscal year and is reflected in the totals above. Because Mr. Panayotopoulos received a portion of his February 2008 Key Manager option grant in the April-June quarter of 2008, half of that grant was expensed in this fiscal year and reflected in the total above. In addition, Ms. Arnold s total also reflects the portions of prior awards expensed in the fiscal year. Because Mr. Moeller is not yet retirement eligible, the fair value of his award will be expensed over the vesting period. Accordingly, the total above reflects only the portion of the fair value of the current year Key Manager option award that was expensed during the fiscal year, as well as portions of prior awards expensed in the fiscal year.

5 Non-Equity Incentive Plan Compensation for fiscal year 2008-09 includes any portion of the 2008-09 BGP award earned in the fiscal year that will be paid in the form of cash or deferred compensation on September 15, 2009, as elected by the individual Named Executive Officer. Executives must take 75% of their award in RSUs, noted above in the Stock Awards column, and the remaining 25% can be paid in cash, deferred compensation or RSUs. All Named Executive Officers except for Mr. Geissler elected cash for this 25% of their 2008-09 BGP award. Mr. Geissler elected to take the 25% in deferred compensation.

6 The actuarial present value of Mr. Geissler s pension benefits was [ ] for the Global International Retirement Arrangement and [ ] for The Procter & Gamble Company Pension Plan (Germany), respectively, for the period between July 1, 2008 and June 30, 2009. The actuarial present value of Mr. Panayotopoulos pension benefits was [ ] for the Global International Retirement Arrangement and [ ] for The Procter & Gamble Company Pension Plan (UK), respectively, for the same period. None of the other Named Executive Officers has a pension plan. None of the Named Executive Officers had above-market earnings on deferred compensation.

7 Please see the following table for information on the numbers that comprise the All Other Compensation column.

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All Other Compensation

Name	Year	Retirement Plan Contri-butions[i] ($)	Executive Group Life Insurance[ii] ($)	Flexible Compensation Program Contributions[iii] ($)	Expatriate, Relocation and Tax Equalization Payments[iv] ($)	Executive Benefits[v] ($)	Total ($)
A. G. Lafley	2008-09						
	2007-08	49,052	12,825	4,450	26,963	250,501	343,791
	2006-07	47,958	10,628	6,400	63,309	248,466	376,761
Jon R. Moeller	2008-09						
Robert A. McDonald	2008-09						
	2007-08	49,052	3,037	4,450	274,925	18,715	350,179
	2006-07	47,958	2,397	6,400	254,504	10,332	321,591
Werner Geissler	2008-09						
E. Dimitri Panayotopoulos	2008-09						
	2007-08	33,065	3,046	4,450	2,183,852	16,732	2,241,145
Susan E. Arnold	2008-09						
	2007-08	49,052	2,832	4,450	n/a	3,153	59,487
	2006-07	47,958	2,230	5,350	n/a	10,302	65,840
Clayton C. Daley, Jr.	2008-09						
	2007-08	49,052	3,447	4,450	n/a	9,944	66,893
	2006-07	47,958	2,520	6,400	n/a	36,883	93,761

i Amounts contributed by the Company pursuant to PST, a qualified defined contribution plan providing retirement benefits for U.S.-based employees. Named Executive Officers also receive contributions in the form of RSU grants pursuant to the PST Restoration Program or IRP, each nonqualified defined contribution plans. These awards are included in the Stock Awards column of the Summary Compensation Table.

ii Under the Executive Group Life Insurance Program (EGLIP), the Company offers key executives who have substantially contributed to the success and development of the business and upon whom the future of the Company chiefly depends, life insurance coverage equal to salary plus their STAR target. These policies are owned by the Company. Because premium payments are returned to the Company when the benefit is paid out, we believe the annual premiums paid by the Company overstate the Company s true cost of providing this life insurance benefit. Accordingly, the amounts shown in the table are an average based on Internal Revenue Service tables used to value the term cost of such coverage for calendar year 2008 and calendar year 2009, which reflect what it would cost the executive to obtain the same coverage in a term life insurance policy. The average of the two calendar years was used because fiscal year data is not available. The average of the dollar value of the premiums actually paid by the Company in calendar years 2008 and 2009 under these policies were as follows: Mr. Lafley, [ ]; Mr. Moeller, [ ]; Mr. McDonald, [ ]; Mr. Geissler, [ ]; Mr. Panayotopoulos, [ ]; Ms. Arnold, [ ]; Mr. Daley [ ]. This program is in addition to any other Company-provided group life insurance in which a Named Executive Officer may enroll that is also available to all employees on the same basis.

iii Flexible Compensation Program Contributions are given to U.S.-based employees in the form of credits to pay for coverage in a number of benefit plans including, but not limited to, medical insurance and additional life insurance. Employees may also receive unused credits as cash. Credits are earned based on PST years of service.

iv The Company provides assistance to certain employees, including Named Executive Officers, related to expenses incurred in connection with expatriate assignments and Company required relocations. Messrs. Geissler and Panayotopoulos received [$] and [$], respectively, in connection with their relocations to the U.S. in 2008. The Company makes tax equalization payments to cover incremental taxes required to be paid to certain countries in connection with certain employees current or prior expatriate assignments. For fiscal year 2008-09, the Company made such payments related to prior expatriate assignments of Messrs. McDonald, Geissler, and Panayotopoulos. Mr. McDonald s tax payment reflects [ ]. Mr. Geissler s tax payment reflects [ ]. Mr. Panayotopoulos tax payment reflects [ ].

v The Named Executive Officers are entitled to the following personal benefits: financial counseling (including tax preparation), an annual physical examination, occasional use of a Company car, secure workplace parking and home security and monitoring. While Company aircraft is generally used for Company business only, Mr. Lafley is required to use Company aircraft for all air travel, including travel to outside board meetings and personal travel, pursuant to the Company s executive security program established by the Board of Directors. While traveling on Company aircraft, Mr. Lafley may bring a limited number of guests (spouse, family member or similar guest) to accompany him. The aggregate incremental aircraft usage costs associated with Mr. Lafley s personal use of Company aircraft, including the costs associated with travel to outside board meetings not fully reimbursed by the other company, were [ ] for fiscal year 2008-09 and are included in the total above. Ms. Arnold and Messrs. Moeller, McDonald, Geissler, Panayotopoulos and Daley are permitted to use the Company aircraft for travel to outside board meetings and, if the Company aircraft is already scheduled for business purposes and can accommodate additional passenge rs, may use it for personal travel and guest accompaniment. [ ] utilized the Company aircraft for travel to outside board meetings

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and any cost associated with travel to those meetings not fully reimbursed by the other company, is included above. Each of [ ] utilized the Company aircraft for personal travel and/or guest accompaniment when the aircraft was scheduled for business purposes, but there was no incremental cost to the Company associated with these trips. In addition, the Company holds two or three senior management meetings per year, where the Company allows each executive to bring a guest. In some of these cases, the guest travel costs may be considered incremental or may involve commercial flights. For these meetings, the Company incurred costs associated with providing minor commemorative items, sightseeing and other similar activities for both the executive and the guest. The incremental costs to the Company for these benefits, other than use of Company aircraft, are the actual costs or charges incurred by the Company for the benefits. The incremental cost to the Company for use of the Company aircraft is calculated by using an hourly rate for each flight hour. The hourly rate is based on the variable operational costs of each flight, including fuel, maintenance, flight crew travel expense, catering, communications and fees, including flight planning, ground handling and landing permits. For any flights that involved mixed personal and business usage, any personal usage hours that exceed the business usage are utilized to determine the incremental cost to the Company. Mr. Lafley also serves on the Board of Directors as the Chairman of the Board, and as such he is a participant in the Company s Charitable Gifts Program, which does not have an aggregate incremental cost and is more fully described on page [ ] of this proxy statement.

The material factors necessary for an understanding of the compensation detailed in the above two tables are described in the Compensation Discussion and Analysis section of this proxy statement and the footnotes to the two tables above.

Grants of Plan-Based Awards

The following table and footnotes provide information regarding grants of equity under Company plans made to the Named Executive Officers during fiscal year 2008-09.

Grants of Plan-Based Awards Table

				Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Stock Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards[2]
	Grant	Compensation & Leadership Development Committee Action										($ per
e	Date	Date	Plan Name[1]	Threshold	Target	Maximum	Threshold	Target	Maximum	(#)	(#)	share)
y	02/27/2009	02/10/2009	Key Manager Options									
	02/27/2009	02/10/2009	Key Manager RSUs									
	02/27/2009	02/10/2009	Special Equity Award									
	09/15/2008	08/12/2008	BGP 3-Year RSUs									
	08/07/2008	04/20/2008	PST Restoration RSUs									
	07/01/2008	09/22/2008	BGP 2008-2011									
ller	02/27/2009	02/10/2009	Key Manager Options									
	08/07/2008	04/20/2008	PST Restoration RSUs									
	07/01/2008	09/22/2008	BGP 2008-2011									
	02/27/2009	02/10/2009	Key Manager Options									
	09/15/2008	08/12/2008	BGP 3-Year RSUs									
	08/07/2008	04/20/2008	PST Restoration RSUs									
	07/01/2008	09/22/2008	BGP 2008-2011									
ssler	02/27/2009	02/10/2009	Key Manager Options									
	02/27/2009	02/10/2009	Key Manager RSUs									
	01/13/2009		IRP RSUs									
	09/15/2008	08/12/2008	BGP 3-Year RSUs									
	09/15/2008	08/12/2008	BGP Elected RSUs									
	08/07/2008	04/20/2008	PST Restoration RSUs									
	08/07/2008	04/20/2008	IRP RSUs									
	07/01/2008	09/22/2008	BGP 2008-2011									
	02/27/2009	02/10/2009	Key Manager Options									
oulos												

	09/15/2008	08/12/2008	BGP 3-Year RSUs
	08/07/2008	04/20/2008	IRP RSUs
	07/01/2008	09/22/2008	BGP 2008-2011
rnold	02/27/2009	02/10/2009	Key Manager Options
	09/15/2008	08/12/2008	BGP 3-Year RSUs
	08/07/2008	04/20/2008	PST Restoration RSUs
	07/01/2008	09/22/2008	BGP 2008-2011
Daley,	02/27/2009	02/10/2009	Key Manager Options
	02/27/2009	02/10/2009	Key Manager RSUs
	09/15/2008	08/12/2008	BGP 3-Year RSUs
	08/12/2008	08/12/2008	Special Equity Award
	08/07/2008	04/20/2008	PST Restoration RSUs
	07/01/2008	09/22/2008	BGP 2008-2011

1 Key Manager Annual Stock Grants and Special Equity grants were awarded in fiscal year 2008-09. BGP awards, PST Restoration Program awards, STAR awards and IRP RSUs were earned in fiscal year 2007-08 but granted in 2008-09. For awards granted under Special Equity, BGP, PST Restoration Program and IRP, dividend equivalents are earned at the same rate as dividends paid on the Company s common stock. All references below to delivery of RSUs in shares reflect the current election of the Named Executive Officer and may be changed at a later date, subject to applicable tax rules and regulations.

2 The options granted were awarded using the closing price of the Company stock on the date of grant.

3 This column reflects the grant date fair value of each award computed in accordance with SFAS 123(R).

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Outstanding Equity at Fiscal Year-End

The following table and footnotes provide information regarding unexercised stock options and stock that has not yet vested as of the end of fiscal year 2008-09.

Outstanding Equity at Fiscal Year-End Table

		Option Awards				Stock Awards		
Name	**Grant Date[1]**	**Number of Securities Underlying Unexercised Options Exercisable[2] (#)**	**Number of Securities Underlying Unexercised Options Unexercisable[2] (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested[3] (#)**	**Market Value of Shares or Units That Have Not Vested[4] ($)**	
A. G. Lafley	02/26/1999	33,550		44.2656	02/26/2014			
	07/01/1999	1,908		43.2423	07/01/2014			
	07/09/1999	7,496		42.7329	07/09/2014			
	09/15/1999	83,301		49.4759	09/15/2014			
	07/10/2000	21,720		27.4459	07/10/2015			
	09/15/2000	204,691		31.0118	09/15/2015			
	09/24/2001	384,061(1)		34.5688	09/24/2016			
	09/13/2002	336,712		45.6625	09/13/2012			
	09/15/2003	97,890		45.9700	09/15/2013			
	02/27/2004	352,917		51.4150	02/27/2014			
	09/15/2004	92,896		56.5150	09/15/2014			
	09/15/2004					68,041	3,476,895	(3)
	09/15/2004					48,218	2,463,940	(4)
	02/28/2005	573,229		53.5950	02/28/2015			
	08/04/2005					3,189	162,958	
	09/15/2005					46,918	2,397,510	(7)
	09/15/2005					30,962	1,582,158	(6)
	12/01/2005					129,185	6,601,354	
	02/28/2006	430,441		60.5000	02/28/2016			
	02/28/2006					69,560	3,554,516	
	08/03/2006					2,936	150,030	
	09/15/2006					64,146	3,277,861	(9)
	02/28/2007		579,906	63.4900	02/28/2017			
	02/28/2007					85,313	4,359,494	
	08/02/2007					5,253	268,428	
	09/14/2007					38,050	1,944,355	(12)
	02/29/2008		480,783	66.1800	02/28/2018			
	02/29/2008					130,568	6,672,025	
Jon R. Moeller	02/26/1999	2,016		44.2656	02/26/2014			
	07/01/1999	832		43.2423	07/01/2014			
	09/15/1999	7,528		49.4759	09/15/2014			
	02/27/2004	37,722		51.4150	02/27/2014			
	02/28/2005	43,474		53.5950	02/28/2015			
	08/04/2005					402	20,542	
	12/01/2005					257	13,133	
	02/28/2006	43,665		60.5000	02/28/2016			
	08/03/2006					509	26,010	
	10/10/2006					8,015	409,567	(11)
	02/28/2007		58,720	63.4900	02/28/2017			

08/02/2007				573	29,280
02/29/2008	56,709	66.1800	02/28/2018		

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Name	Grant Date[1]	Option Awards: Number of Securities Underlying Unexercised Options Exercisable[2] (#)	Option Awards: Number of Securities Underlying Unexercised Options Unexercisable[2] (#)	Option Awards: Option Exercise Price ($)	Option Awards: Option Expiration Date	Stock Awards: Number of Shares or Units of Stock That Have Not Vested[3] (#)	Stock Awards: Market Value of Shares or Units That Have Not Vested[4] ($)
Robert A. McDonald	02/26/1999	14,886		44.2656	02/26/2014		
	09/15/1999	46,256		49.4759	09/15/2014		
	07/10/2000	20,256		27.4459	07/10/2015		
	09/15/2000	161,204		31.0118	09/15/2015		
	09/24/2001	154,210 (2)		34.5688	09/24/2016		
	09/13/2002	161,034		45.6625	09/13/2012		
	09/15/2003	28,284		45.9700	09/15/2013		
	02/27/2004	223,672		51.4150	02/27/2014		
	09/15/2004					26,542	1,356,296 (5)
	02/28/2005	158,597		53.5950	02/28/2015		
	08/04/2005					3,176	162,294
	12/01/2005					14,873	760,010
	02/28/2006	140,496		60.5000	02/28/2016		
	08/03/2006					2,880	147,168
	09/15/2006					13,405	684,996 (8)
	02/28/2007		160,656	63.4900	02/28/2017		
	08/02/2007					845	43,180
	09/14/2007					10,463	534,659 (12)
	02/29/2008		264,431	66.1800	02/28/2018		
Werner Geissler	02/26/1999	14,626		44.2656	02/26/2014		
	07/09/1999	5,540		42.7329	07/09/2014		
	09/15/1999	43,786		49.4759	09/15/2014		
	07/10/2000	14,378		27.4459	07/10/2015		
	09/15/2000	116,148		31.0118	09/15/2015		
	09/24/2001	101,260 (1)		34.5688	09/24/2016		
	09/13/2002	54,750		45.6625	09/13/2012		
	09/15/2004					30,158	1,541,074 (4)
	02/27/2004	92,388		51.4150	02/27/2014		
	08/04/2005					3,990	203,889
	02/28/2005	69,970		53.5950	02/28/2015		
	09/15/2005					26,455	1,351,851 (6)
	12/01/2005					4,121	210,583
	02/28/2006	70,248		60.5000	02/28/2016		
	08/03/2006					2,449	125,144
	09/15/2006					16,796	858,276 (9)
	10/10/2006					17,111	874,372 (10)
	02/28/2007		94,504	63.4900	02/28/2017		
	08/02/2007					941	48,085
	09/14/2007					6,296	321,726 (13)
	09/14/2007					6,572	335,829 (14)
	02/29/2008		113,328	66.1800	02/28/2018		
	02/29/2008					10,133	517,796
E. Dimitri Panayotopoulos	02/26/1999	26,194		44.2656	02/26/2014		
	07/01/1999	13,860		43.2423	07/01/2014		
	07/09/1999	9,834		42.7329	07/09/2014		
	09/15/1999	64,574		49.4759	09/15/2014		
	07/10/2000	28,516		27.4459	07/10/2015		
	09/15/2000	179,206		31.0118	09/15/2015		
	09/24/2001	202,644 (1)		34.5688	09/24/2016		
	09/13/2002	163,464		45.6625	09/13/2012		

09/15/2003	55,758	45.9700	09/15/2013		
02/27/2004	143,442	51.4150	02/27/2014		
09/15/2004	44,253	56.5150	09/15/2014		
02/28/2005	111,951	53.5950	02/28/2015		
08/04/2005				3,363	171,849
09/15/2005	30,531	55.4050	09/15/2015		
12/01/2005				21,267	1,086,744

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		Option Awards					Stock Awards		
Name	**Grant Date[1]**	**Number of Securities Underlying Unexercised Options Exercisable[2] (#)**		**Number of Securities Underlying Unexercised Options Unexercisable[2] (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested[3] (#)**	**Market Value of Shares or Units That Have Not Vested[4] ($)**	
E. Dimitri Panayotopoulos	02/28/2006	103,306			60.5000	02/28/2016			
(cont.)	05/01/2006						17,178	877,796	
	08/03/2006						3,275	167,353	
	09/15/2006			46,314	61.3250	09/15/2016			
	09/15/2006						11,755	600,681	(8)
	02/28/2007			118,129	63.4900	02/28/2017			
	08/02/2007						2,972	151,869	
	09/14/2007						9,175	468,843	(12)
	09/14/2007			45,198	67.8100	09/14/2017			
	02/29/2008			166,214	66.1800	02/28/2018			
	05/09/2008			30,671	65.2100	05/09/2018			
Susan E. Arnold	02/26/1999	13,012			44.2656	02/26/2014			
	09/15/1999	37,062			49.4759	09/15/2014			
	09/15/2000	96,752			31.0118	09/15/2015			
	09/24/2001	130,192	(1)						