

P&G's Political Involvement is an Important Means of Building and Protecting our Business

Guided by our Purpose, Values & Principles, P&G participates in the political process to help shape public policy that has a direct impact on the Company. This engagement is an important means of building and protecting our global business and ensures that the interests of our employees, consumers and shareholders are fairly represented at all levels of government around the world.

Lobbying Activity

P&G's Global Government Relations team (P&G GGR) represents the Company's point of view in Washington, DC, in U.S. state capitols and in key country capitols around the world. Working with the businesses, P&G GGR focuses on legislative and public policy issues that impact the Company's bottom line. Where permitted by law, P&G:

- engages and educates policy makers and key stakeholders on issues concerning the Company's long-term business interests;
- facilitates the exchange of information between key decision makers and public policy organizations in the US and abroad;
- leads Company actions on policy matters both unilaterally and in industry coalitions.

U.S. Corporate Political Activity

P&G engages in the political process by providing financial support to state ballot initiatives and issue advocacy campaigns that have a direct impact on the business. P&G's involvement in these campaigns is overseen by a multi-functional team that makes recommendations to the Global External Relations Officer, President, Vice Chairs, Chief Operating Officer, and Chairman & CEO as appropriate. As with all other aspects of our political involvement, our participation in such efforts is guided by our Purpose, Values and Principles, and by our business strategies. In 2006, P&G made \$184,000 in contributions to state ballot initiatives and other issue advocacy campaigns that had a direct impact on the business.

P&G Political Action Committee

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

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

Support of candidates is based on their support of P&G issues and sustained constituent relationships. The PAC generally does not contribute to Presidential candidates; industry, association or leadership PACs; or multiple candidates running in the same race. In 2006, the P&G PAC contributed \$260,880 to candidates running for office. The average contribution per candidate was \$1,335.

Additionally, P&G operates a separate state PAC in Massachusetts. In 2006, the P&G/Gillette state PAC contributed \$4,300 to Massachusetts state and local candidates. The average contribution per candidate was \$330.

P&G PAC activity is available on the FEC and state elections websites. A listing of all 2006 PAC contributions is available at www.pgpac.com.

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