

PROCTER & GAMBLE CO
Form DEF 14A
August 29, 2008
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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

Filed by a Party other than the Registrant

Check the appropriate box:

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

Procter & Gamble Company

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(Name of Registrant as Specified In Its Charter)

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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 14, 2008

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THE PROCTER & GAMBLE COMPANY

P.O. Box 599

Cincinnati, Ohio 45201-0599

August 29, 2008

Fellow Procter & Gamble Shareholders:

It is my pleasure to invite you to this year's annual meeting of shareholders, which will be held on Tuesday, October 14, 2008.

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.

I appreciate your continued confidence in our Company and look forward to seeing you on October 14.

Sincerely,

A. G. LAFLEY

CHAIRMAN OF THE BOARD 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 29, 2008

Date: Tuesday, October 14, 2008
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 2007 annual meeting of shareholders;

To receive reports of officers;

To elect twelve members of the Board of Directors;

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

To vote on a proposal to amend the Company's Amended Articles of Incorporation to adopt majority voting for the election of directors in non-contested elections;

To vote on two 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:

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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 14, 2008.

Record Date:

August 15, 2008 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

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. Accordingly, on August 29, 2008, we began mailing a Notice of Internet Availability of Proxy Materials (the Notice) to all shareholders of record as of August 15, 2008, 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.

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 will reduce 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. 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 13, 2008.

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 2008 annual meeting of shareholders, which will take place on October 14, 2008. The Notice was mailed to Company shareholders beginning August 29, 2008, 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 2008 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 15, 2008, you were a shareholder of record of the Company:

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 15, 2008, there were issued and outstanding:

2,999,885,257 shares of Common Stock;

76,826,663 shares of Series A ESOP Convertible Class A Preferred Stock; and

64,751,804 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:

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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 The twelve candidates receiving the most votes will be elected as members of the Board of Directors. In accordance with the By Laws of the Board of Directors, if a Director nominee receives, in any non-contested election of Directors, a greater number of votes withheld from his or her election than votes for such election, he or she will 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 Passage of the Board's proposal to amend the Company's Amended Articles of Incorporation requires the affirmative vote of a majority of the Company's issued and outstanding shares. Accordingly, abstentions and broker non-votes have the same effect as votes against this proposal.

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.

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

Based on a proposal adopted by the Company's shareholders at the 2005 annual meeting of shareholders, this will be the first year in which all of the Board's nominees for Director will be elected for a one-year term. Accordingly, the terms of 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, Margaret C. Whitman, Patricia A. Woertz and Ernesto Zedillo expire at the 2008 annual meeting. The Board has nominated each of these individuals for new terms that will expire at the 2009 annual meeting.

Each of the nominees has accepted the nomination and agreed to serve as a Director if elected by the 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, W. James McNerney, Jr., Johnathan A. Rodgers, Ralph Snyderman, Margaret C. Whitman, Patricia A. Woertz and Ernesto Zedillo as Directors to hold office until the 2009 annual meeting of shareholders and until their successors are elected.

Nominees for Election as Directors with Terms Expiring in 2009

Kenneth I. Chenault

Director since 2008

Mr. Chenault is Chairman and Chief Executive Officer of the American Express Company (financial services). Mr. Chenault was appointed to the Board on April 21, 2008. He is also a Director of International Business Machines Corporation. Age 57.

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 56.

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

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Rajat K. Gupta Director since 2007

Mr. Gupta is Senior Partner Emeritus at McKinsey & Company (international consulting). He is also a Director of The Goldman Sachs Group, Inc., Genpact, Ltd. and American Airlines. Age 59.

Member of the Audit and Innovation & Technology Committees.

A. G. Lafley Director since 2000

Mr. Lafley is Chairman of the Board and Chief Executive Officer of the Company. He is also a Director of General Electric Company and Dell Inc. Age 61.

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 68.

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 68.

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

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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 59.

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 62.

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 NEA. Age 68.

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

Margaret C. Whitman

Director since 2003

Ms. Whitman is the former President and Chief Executive Officer of eBay Inc. (global internet company that includes online marketplaces, payments and communications). She is also a Director of eBay Inc. and Dreamworks Animation SKG, Inc. Age 52.

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

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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). Ms. Woertz was appointed to the Board on January 8, 2008. Age 55.

Member of the Audit and Governance & Public Responsibility Committees.

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. and Electronic Data Systems Corporation. Age 56.

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

Messrs. Chenault, Lafley 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. Prior to his election as Chairman of the Board, President and Chief Executive Officer of The Boeing Company, 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. Whitman previously served as President and Chief Executive Officer of eBay from March 1998 to March 2008. Prior to her election as Chairman, Chief Executive Officer and President of Archer Daniels Midland Company, Ms. Woertz was Executive Vice President of Chevron Texaco from 2001 until 2006. Dr. Zedillo was President of Mexico from 1994 until 2000.

Messrs. Cook, Lee and McNerney and Dr. Zedillo were elected by shareholders to a three-year term in 2005. Mses. Martin and Whitman, Messrs. Gupta, Lafley and Rodgers and Dr. Snyderman were elected by shareholders to a one-year term in 2007. Ms. Woertz was appointed by the Board of Directors on January 8, 2008 and Mr. Chenault was appointed by the Board of Directors on April 21, 2008.

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

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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, 2008, is shown in the following chart.

	Compensation &	Governance &	
Audit	Leadership Development	Public Responsibility	Innovation & Technology
Mr. Lee*	Mr. McNerney*	Ms. Whitman*	Dr. Snyderman*
Mr. Chenault ¹	Mr. Chenault ¹	Ms. Martin	Mr. Cook
Mr. Gupta	Mr. Cook	Mr. McNerney	Mr. Gupta
Dr. Snyderman	Mr. Lee	Ms. Woertz ²	Ms. Martin
Ms. Woertz ²	Ms. Whitman	Dr. Zedillo	Mr. Rodgers
			Dr. Zedillo

* Committee Chair

¹ Joined the Board in April 2008.

² Joined the Board in January 2008.

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.

Upon Mr. Norman Augustine's retirement from the Board following the August 14, 2007 Board meeting, Mr. McNerney became Chair of the Compensation & Leadership Development Committee. Mr. Joseph T. Gorman retired from the Board, and the Board dissolved the Finance Committee at its October 9, 2007 Board meeting. The Board revised its Committee membership to reflect the appointments of Ms. Woertz and Mr. Chenault, and the retirement of Mr. John F. Smith, Jr. from the Board at its April 21, 2008 meeting. Prior to that date, Mr. Smith was Chair of the Audit Committee and Mr. Lee was Chair of the Governance & Public Responsibility Committee. At that time, Mr. Lee became Chair of the Audit Committee, and Ms. Whitman became Chair of the Governance & Public Responsibility Committee.

The **Audit Committee** met eight times during the fiscal year ended June 30, 2008 to carry out its responsibilities under its charter. At all of these meetings, 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. 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*. The Audit Committee's charter can be found in the corporate governance section of the Company's website at www.pg.com/investors.

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The **Compensation & Leadership Development Committee** met six times during the fiscal year ended June 30, 2008, during which it held four 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 16 to 37. This Committee also approves all stock-based equity grants made under The Procter & Gamble 2001 Stock and 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 "Use of Independent Compensation Committee Consultant" found on page 34 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 four times during the fiscal year ended June 30, 2008. 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 withheld 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; 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 **Finance Committee** met once during the fiscal year ended June 30, 2008. At the October 9, 2007 Board of Directors meeting, the Board elected to dissolve the Finance Committee. Some of the responsibilities of the Finance Committee were transferred to the Audit Committee. Other responsibilities were delegated to management or assumed by the full Board.

The **Innovation & Technology Committee** met twice during the fiscal year ended June 30, 2008. 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

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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, 2008, the Board of Directors held nine meetings and the Committees of the Board of Directors held 21 meetings for a total of 30 meetings. Average attendance at these meetings by members of the Board during the past year exceeded 94%. All Directors attended greater than 83% of the meetings of the Board and the Committees on which they serve.

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: Kenneth I. Chenault, Scott D. Cook, Rajat K. Gupta, Charles R. Lee, Lynn M. Martin, W. James McNerney, Jr., Ralph Snyderman, Margaret C. Whitman, Patricia A. Woertz and Ernesto Zedillo. 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.

Mr. Lafley is the Company's Chief Executive Officer and 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 because during 2006, the Company paid TVOne, LLC for advertising time in an amount that exceeded 2% of TVOne, 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,

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which can also be found on the Company's website at www.pg.com. During the fiscal year ended June 30, 2008, 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.

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.

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 2008-09. Mr. McNerney began his service as Presiding Director on August 14, 2007, following the retirement from the Board of then-Presiding Director Norman Augustine and served in that capacity for the remainder of the fiscal year.

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 four times during fiscal year 2007-08 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, the Company's top management, 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 six 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

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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. 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, 2008, 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 in that capacity. Ms. Woertz and Mr. Chenault were recommended to the Governance & Public Responsibility Committee by various non-employee members of the Board of Directors, the Chief Executive Officer and other executive officers.

Annual Meeting Attendance

The Board's expectation is that all its members attend the annual meeting of shareholders. All Directors attended the 2007 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 2007-08. Directors who are employees of the Company receive no compensation for their services as Directors.

Director Compensation Table

Name	Annual Retainer ¹ (\$)	Committee Meeting Fees (\$)	Committee Chair Fee ² (\$)	Total Fees Earned or Paid in Cash ³ (\$)	Stock Awards ⁴ (\$)	All Other Compensation ^{5,6} (\$)	Total ⁷ (\$)
Norman R. Augustine	12,500	4,000	1,667	18,167 ⁸	0	50	18,217
Kenneth I. Chenault	25,000	4,000	0	29,000	0	0	29,000
Scott D. Cook	93,750	16,000	0	109,750 ⁹	125,000	974	235,724
Joseph T. Gorman	27,083	6,000	3,333	36,416	0	0	36,416
Rajat K. Gupta	93,750	12,000	0	105,750	125,000	1,412	232,162
Charles R. Lee	93,750	34,000	10,833	138,583	125,000	1,100	264,683
Lynn M. Martin	93,750	12,000	0	105,750	125,000	1,030	231,780
W. James Mc Nerney, Jr.	93,750	24,000	8,333	126,083 ¹⁰	125,000	225	251,308
Johnathan A. Rodgers	93,750	4,000	0	97,750 ¹¹	125,000	3,985	226,735
John F. Smith, Jr.	77,083	18,000	12,500	107,583 ¹²	125,000	3,139	235,722
Ralph Snyderman	93,750	18,000	10,000	121,750 ¹³	125,000	4,195	250,945
Margaret C. Whitman	93,750	16,000	1,666	111,416	125,000	511	236,927
Patricia A. Woertz	50,000	8,000	0	58,000	0	945	58,945
Ernesto Zedillo	93,750	12,000	0	105,750 ¹⁴	125,000	3,757	234,507

¹ As further described in the narrative following the table, the annual retainer was increased from \$75,000 to \$100,000 effective October 9, 2007. This amount is paid in quarterly increments. Directors who were paid \$93,750 received \$18,750 for the July-September 2007 quarter, and \$25,000 for each of the remaining three quarters of the fiscal year. Each Director who retired during the fiscal year (Mr. Augustine (August), Mr. Gorman (October) and Mr. Smith (April)), received the prorated portion of the retainer calculated and paid up through his final month of service to the Board of Directors. Each new Director

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- appointed during the fiscal year (Mr. Chenault (April) and Ms. Woertz (January)), received the prorated portion of the retainer calculated from the month of his or her appointment to the Board.
- 2 Committee Chair Fees for retiring Directors and for newly appointed Chairs reflect prorated amounts based on when the change in the Chair position occurred. The Committee Chair Fee for Mr. Gorman, who was Chair of the Finance Committee until its dissolution at the October 9, 2007 Board meeting, reflects a prorated fee for July through October 2007.
- 3 Total Fees Earned or Paid in Cash combines the amounts in the three preceding columns.
- 4 Annually, upon election at the Company's annual meeting of shareholders, each Director is awarded a grant of restricted stock units (RSUs) with a grant date fair value of \$125,000. This amount 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 Mr. Augustine retired prior to the 2007 annual meeting of shareholders and Mr. Gorman did not stand for re-election at that meeting, they did not receive the annual RSU award. Ms. Woertz and Mr. Chenault were appointed in January 2008 and April 2008, respectively, and they did not receive the annual RSU award. As of the end of fiscal year 2007-08:
- Mr. Augustine has 8,652 unvested stock awards outstanding and 16,712 option awards outstanding.
 - Mr. Cook has 13,131 unvested stock awards outstanding and 10,674 option awards outstanding.
 - Mr. Gorman has 8,652 unvested stock awards outstanding and 16,712 option awards outstanding.
 - Mr. Gupta has 1,788 unvested stock awards outstanding.
 - Mr. Lee has 34,612 unvested stock awards outstanding and 16,712 option awards outstanding.
 - Ms. Martin has 16,581 unvested stock awards outstanding and 16,712 option awards outstanding.
 - Mr. McNerney has 14,411 unvested stock awards outstanding.
 - Mr. Rodgers has 17,606 unvested stock awards outstanding and 6,644 option awards outstanding.
 - Mr. Smith has 10,439 unvested stock awards outstanding and 2,884 option awards outstanding.
 - Dr. Snyderman has 33,831 unvested stock awards outstanding and 16,712 option awards outstanding.
 - Ms. Whitman has 13,300 unvested stock awards outstanding.
 - Dr. Zedillo has 12,991 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.
- 5 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 two Board meetings during fiscal year 2007-08, each Director was encouraged to bring a guest. For each of these meetings, the Company incurred costs associated with providing minor commemorative items, sightseeing and other similar activities for both the Director and accompanying guest. In some cases, the Company also incurred costs associated with commercial airfare for the guest. 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, during fiscal year 2007-08, made one donation upon the death of a former Director. This program was discontinued for any new Director effective July 1, 2003.
- 6 Mr. Bruce L. Byrnes was an employee Director of the Board during fiscal year 2007-08 until his retirement from the Board effective June 10, 2008. As an employee Director, he did not receive a retainer, fees or stock award. Mr. Byrnes did attend Board meetings and activities as described in footnote 5 above and, in conjunction with those meetings, received \$2,405 as All Other Compensation.
- 7 Total combines the amounts in the Total Fees Earned or Paid In Cash column, the Stock Awards column and the All Other Compensation column.
- 8 Mr. Augustine took all of his fees for fiscal year 2007-08 in unrestricted stock, which had a grant date fair value of \$18,167.
- 9 Mr. Cook took his fees for the first half of the fiscal year in cash, and for the second half of the fiscal year in unrestricted stock, which had a grant date fair value of \$58,000.
- 10 Mr. McNerney took all of his fees for fiscal year 2007-08 in unrestricted stock, which had a grant date fair value of \$126,083.
- 11 Mr. Rodgers took 25% of his fees for fiscal year 2007-08 in cash and 75% of his fees for fiscal year 2007-08 in retirement restricted stock, which had a grant date fair value of \$73,313.
- 12 Mr. Smith took all of his fees for fiscal year 2007-08 in unrestricted stock, which had a grant date fair value of \$107,583.
- 13 Dr. Snyderman took all of his fees for fiscal year 2007-08 as retirement restricted stock which had a grant date fair value of \$121,750.
- 14 For the first half of the fiscal year, Dr. Zedillo took 50% of his fees in cash and 50% in unrestricted stock. During the second half of the fiscal year, 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 unrestricted stock elected for the first half of the fiscal year had a grant date fair value of \$24,875, and the retirement restricted stock elected for the second half of the fiscal year had a grant date fair value of \$25,000.

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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 22 of this proxy statement). In fiscal year 2007-08, non-employee members of the Board of Directors received the following compensation:

A grant of restricted stock units (RSUs) on October 9, 2007, following election to the Board at the Company s 2007 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;

Effective October 9, 2007, 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. The Chair of the Finance Committee (which was dissolved at the October 9, 2007 Board of Directors meeting), received a pro rata portion of the \$10,000 annual retainer.

At its October 9, 2007 meeting, the Compensation & Leadership Development Committee recommended that the Board increase the Director s annual retainer fee from \$75,000 to \$100,000, effective that date, to keep the Directors overall compensation package competitive with the median of our Peer Group of companies. The Board of Directors ratified this action and amended its By Laws to reflect this change on December 11, 2007.

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 2007-08.

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 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, 2008.

W. James McNerney, Jr. (Chair)

Kenneth I. Chenault

Scott D. Cook

Charles R. Lee

Margaret C. Whitman

Table of Contents**Compensation Discussion and Analysis****Executive Summary**

The Company's compensation programs are designed to support the achievement of our overall long-term performance goals. In fiscal year 2007-08, the Company delivered another year of growth at or above our long-term goals. These goals, and the results we achieved, are listed in the table below. The Company believes that consistently delivering results at these levels should position the Company to out-perform the consumer products industry for the next decade and beyond.

Measure	Goal	2007-08 Results
Organic sales growth ¹	4% to 6%	5%
Diluted earnings per share (EPS) growth excluding Gillette dilution	10% or better ²	11-12% ³
Free cash flow productivity ⁴	90% or greater	106%

We choose to focus on these goals because achieving or exceeding them allows us to provide attractive, sustained returns to our shareholders. The Company's strategy is to drive growth through innovation, productivity and operational excellence. Globally, we are experiencing unprecedented increases in material and energy costs. We believe that by continuing to build compelling brands and better and more efficient products, we will deliver better consumer value during these challenging times. Our compensation programs support these strategies by rewarding successes in these key measures.

Our annual cash and long-term incentive programs link compensation payments to the Named Executive Officers (identified below) with the overall success of the Company. The Compensation & Leadership Development Committee establishes target ranges for total compensation that are consistent with comparable positions in Peer Group companies, as discussed below. For fiscal year 2007-08, due in part to achievement of the goals described above, the average actual total compensation for the Named Executive Officers was above the average target total compensation for the year.

What are the Company's overall compensation principles?

The Compensation & Leadership Development Committee is responsible for making executive compensation decisions regarding program design and individual pay. The Committee oversees overall Company compensation policies and approves any compensation for the 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, and 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, taking into consideration individual ability to influence results;

¹ Organic sales is a non-GAAP measure of sales growth that excludes the impact of acquisitions, divestitures and foreign exchange.

²

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Our EPS goals are set taking into consideration the Company's stated share repurchase objectives and the year-to-year impact of Gillette dilution.

- ³ Excludes the prior year dilution impact from the Gillette acquisition and a current year \$0.14 net tax benefit from a number of significant adjustments to tax reserves in the U.S. and other countries. Reported EPS growth, which includes both of these impacts, was 20%.
- ⁴ Free cash flow is defined as operating cash flow less capital spending. Free cash flow productivity is defined as the ratio of free cash flow to net earnings.

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Pay competitively Our objective is to set overall target compensation (compensation received when achieving expected results) to be in line with that of individuals holding comparable positions at other multi-national corporations of similar size, value and complexity.

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

What are the Company's executive compensation objectives?

Consistent with these overall principles, the Committee has established the following executive compensation objectives to continue the Company's history of superior management and leadership, with an emphasis on long-term success:

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

Focus on long-term success Hold those leaders accountable for long-term success so the Company continues to provide superior returns for shareholders over time;

Retention Retain talented managers with demonstrated records of superior performance whose continued employment is key to overall Company success; and

Ownership Align leaders with shareholders' long-term interests by building significant ownership of Company stock into executive pay programs.

Who participates in the executive compensation programs?

The programs discussed here apply in many cases to groups of employees that include more than the five Named Executive Officers. Following are the various individuals and groups who participate in our executive compensation programs:

Named Executive Officers:	Mr. A.G. Lafley, Mr. Clayton C. Daley, Jr., Ms. Susan E. Arnold, Mr. Robert A. McDonald and Mr. E. Dimitri Panayotopoulos
Senior Executives:	Approximately 45 top executives, including the Named Executive Officers
Executives:	Approximately 4,000 top managers
Senior Managers:	Approximately 14,000 managers

Table of Contents**What objectives are achieved by the Company's executive compensation programs?**

The Company's executive compensation objectives are achieved through the following ongoing 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.

Program	Description	Participants	Objectives Achieved
Annual Cash Compensation			
Base Salary	Fixed rate of pay	All employees	Retention Drive superior performance
Short-Term Achievement Reward - Annual Bonus (STAR)	Annual bonus with target awards established at each employee level Payments can be higher or lower than target, based on business unit and total Company annual results	All Senior Managers, Executives, and Senior Executives, (including Named Executive Officers)	Individual contribution Drive superior performance Across total Company Across business units
Long-Term Incentive Programs			
Key Manager Annual Stock Grant	Long-term incentive program tied to growth in stock price Paid in stock options and restricted stock units (RSUs); grant amounts vary to reflect individual contribution	All Executives and Senior Executives (including Named Executive Officers), plus 15% of Senior Managers	Drive superior performance Individual contribution Across total Company Focus on long-term success Retention

Business Growth Program Three-Year Incentive (BGP)	Long-term incentive program with compensation tied to achievement of three-year total Company goals paid in cash and RSUs	All Senior Executives (including Named Executive Officers)	Ownership Drive superior performance
			Across total Company
			Focus on long-term success
			Retention
			Ownership

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Program	Description	Participants	Objectives Achieved
Retirement Programs			
The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Plan (PST)	Annual contribution of stock made to employees based on salary and years of service	All full-time U.S. employees	Retention
PST Restoration Program	Grant of RSUs to those PST participants whose Company contribution is capped by tax regulations	Varies annually, approximately 400 U.S.-based Executives and Senior Executives (including Named Executive Officers)	Ownership Retention
Country Pension Plans	Annual retirement benefits (varies by country)	Eligible employees in applicable countries	Ownership Retention
International Retirement Plan (IRP)	Annual contribution in lieu of home country retirement plan contribution	Certain expatriates who are not eligible to participate in home country plans	Retention Ownership
Global International Retirement Arrangement (IRA)	Annual contribution to equalize home country benefits	Certain employees whose home country pension is not adjusted to reflect current salary	Retention Ownership
Other Executive Programs			
Perquisites and Executive Benefits	Available to certain executives to assure protection of Company assets and/or focus on Company business with minimal disruption	Specific benefits are offered to different groups of Executives based on business purpose	Security Minimize business disruption
Expatriate and Relocation Program	Payments made in conjunction with expatriate assignments and required relocations	All employees assigned to work outside home country	Retention Retention
Other Benefits	Medical, welfare and other benefits	All employees	Minimize business disruption Retention
			Healthy, engaged, high-performing employees

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

The Company Emphasizes At-Risk Compensation

Our long-term success depends on excellent financial and operational performance year after year. Therefore, to focus on both the short and long-term success of the Company, our Named Executive Officers' compensation includes a significant portion approximately 80-90% that is at-risk, where the compensation paid is determined based on the achievement of specified results. If short-term and long-term financial and operational goals are not achieved, then performance-related compensation will decrease. If goals are exceeded, then performance-related compensation will increase.

In addition, any compensation that is paid in the form of Company stock, RSUs or stock options instead of cash is further at-risk because its value varies with changes in the stock price. With a considerable percentage of their compensation paid in equity, executives have a significant stake in the long-term success of the Company and gain along with all other shareholders.

As shown in the following charts, in fiscal year 2007-08, 89% of the Chief Executive Officer's total compensation and, on average, 82% of the other Named Executive Officers' compensation, was at-risk dependent on performance. Seventy-two percent of the Chief Executive Officer's total compensation and, on average, 61% of the other Named Executive Officers' total compensation, was paid in stock, RSUs or stock options.

The Committee believes that tying pay to performance and awarding a significant percentage of pay in equity properly motivates Company management to drive superior business and financial performance and focus on long-term success, while retaining talented executives and encouraging ownership.

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Ownership and Holding Requirements Focus on Long-Term Success

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

The *Executive Share Ownership Program* requires all Senior Executives to own shares of Company stock and/or RSUs valued at a multiple of their base salary. The Chief Executive Officer must own at least eight times his base salary in Company stock and/or RSUs, and the other Named Executive Officers must own at least five times their base salaries. The Committee reviews the stock holdings of our Named Executive Officers annually, and in 2008 they each exceeded these requirements.

The *Stock Option Exercise Holding Requirement Policy* ensures Senior Executives remain focused on sustained shareholder value, even after exercising stock options. Under this policy, during his active employment, the Chief Executive Officer must hold the net shares received from stock option exercises (excluding the stock option exercise cost and related taxes) for at least two years. During their active employment, the other Senior Executives, including the other Named Executive Officers, must hold such net shares for at least one year after exercise. This policy reinforces our Senior Executives' incentive to focus on the long-term business and financial performance of the Company. Incentive plan awards that Senior Executives voluntarily elect to take as stock options instead of cash or unrestricted stock are not subject to the holding period.

Finally, to further align our Senior Executives with the interests of our shareholders, the Company's Insider Trading Policy does not permit pledging, 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 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.

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The Company Does Not Offer Employment Contracts to its Employees

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, over which time they 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 the Company's current Named Executive Officers has an employment contract.

How is competitiveness established for executive compensation?

The Company's executive compensation is structured so that total targeted annual cash and long-term compensation opportunities are competitive with comparable positions at comparable companies. To determine the amounts for these different elements of compensation, the Company evaluates similar jobs, focusing on positions with similar management and revenue responsibility in large, well-respected companies, and uses a regression analysis to adjust for the differences in revenue size. The Committee has directed Frederic W. Cook & Co., its outside and independent compensation consultant, to advise the Committee on various compensation matters, including peer group identification, competitive practices and trends, specific program design, and Committee actions with respect to principal officer compensation. In addition, the Company uses a different compensation consultant, Hewitt Associates, to provide compensation advice, competitive survey data and other benchmark information related to trends and competitive practices in executive compensation.

The Committee compares pay and performance information for Senior Executive positions (including Named Executive Officers) to a peer group consisting of companies that generally meet the following criteria:

Revenue comparable to the Company (\$76 billion in fiscal year 2006-07) and/or market capitalization comparable to the Company (approximately \$200 billion);

- n Peer group revenues range from \$14 billion to \$375 billion with a median of \$61 billion; and
- n Peer group market capitalization ranges from \$10 billion to \$489 billion with a median of \$84 billion.

Compete with the Company in the marketplace for business;

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 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. For fiscal year 2007-08, the peer group consisted of the following 25 companies (the Peer Group) unchanged from the prior two fiscal years:

3M	General Electric	Lockheed Martin
Altria Group	General Motors	Merck

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AT&T	Hewlett-Packard	Motorola
Boeing	Home Depot	PepsiCo
Chevron	IBM	Pfizer
Coca-Cola	Johnson & Johnson	Target
Colgate-Palmolive	Kimberly-Clark	Verizon Communications
Du Pont	Kraft Foods	Wal-Mart Stores
Exxon Mobil		

Table of Contents**Details regarding elements of executive compensation*****Annual Cash Compensation***

The building blocks of the Company's annual cash compensation program are base salary and STAR annual bonus. We collect and analyze data from the Peer Group on the total annual cash compensation (base salary plus annual bonus) 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 salary if all goals are met. The sum of the targets for base salary and STAR for each position is set at the median annual cash compensation of our Peer Group by position, adjusted for size using a regression of Peer Group revenues. The STAR Target determines the amount of annual cash compensation at-risk for achieving annual goals.

Base Salary

The purpose of base salary is to provide a competitive fixed rate of pay, recognizing different levels of responsibility within the Company. Salaries are the basis for establishing the target payouts of the performance-driven programs discussed below, as well as the basis for retirement programs, executive group life insurance and certain benefits available to all employees.

In fiscal year 2007-08, the base salaries of Mr. Lafley and Mr. Daley did not change. Ms. Arnold, Mr. McDonald and Mr. Panayotopoulos were each promoted to positions of greater responsibility effective at the beginning of the fiscal year, and received appropriate salary increases at that time to align them with comparable positions at the Peer Group companies.

STAR Annual Bonus

The purpose of the STAR bonus program is to provide an incentive to achieve and exceed the annual business goals set for the business units and the total Company. The program rewards the achievement of outstanding business results and reduces the award for those who fail to achieve target business results. STAR Awards are paid in cash, RSUs, stock options or deferred compensation, at the executive's election.

STAR Targets are set by the Committee for Named Executive Officers based on the target bonus for similar positions at Peer Group companies in relation to base salaries. This year, based on an analysis of annual cash compensation and bonus targets at Peer Group companies, the Committee set Mr. Lafley's STAR Target at 170% of base salary. Mr. Daley's, Ms. Arnold's and Mr. McDonald's STAR Targets were set at 115% of base salary and Mr. Panayotopoulos had a STAR Target of 90% of base salary.

STAR Awards earned for fiscal year 2007-08 were based on three target factors: 1) Company performance, 2) business unit performance, and 3) the Company's achievement of Gillette integration goals. By multiplying these factors, each is interrelated and can impact the total award, with the Business Unit Factor having a wider range and therefore the greatest potential impact on the amount of the final award. The measures that determine each factor are discussed below. The STAR Award calculation is:

$$\begin{array}{ccccccccc} \text{Star} & & \text{Total Company} & & \text{Business Unit} & & \text{Gillette Integration} & & \text{STAR} \\ \text{Target (\$)} & \times & \text{Factor (\%)} & \times & \text{Factor (\%)} & \times & \text{Factor (\%)} & = & \text{Award (\$)} \end{array}$$

The Total Company Factor is based on a numeric formula. The Business Unit Factor and the Gillette Integration Factor combine objective and retrospective judgmental elements and are collectively discussed and evaluated by the Chief Executive Officer, the Chief Financial Officer and the Global Human Resources Officer, resulting in a recommendation for each factor to the Committee for review and approval. Due to their role in assessing performance and recommending the award factors for all other participants, these three executives' STAR Awards are determined separately and directly by the Committee. The Committee

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determines their awards once the range for all other STAR Awards is decided, taking into account overall STAR performance factors and personal contributions to these results, and uses its discretion to determine the final STAR Awards for Messrs. Lafley, Daley, and the Company's Global Human Resources Officer.

The STAR Awards for Ms. Arnold, Mr. McDonald and Mr. Panayotopoulos use the multiplicative formula shown above. The basis for each element of their awards is discussed below:

Total Company Factor Ranging from 80% to 130%, this factor is determined by equally weighting the following two measures against predetermined targets: (1) organic sales growth, and (2) earnings per share (EPS) growth.

Organic sales growth: At its August 14, 2007 meeting, the Committee replaced total shareholder return with organic sales growth as a measure for fiscal year 2007-08. The Committee moved to organic sales growth because it drives total shareholder return, is a tangible measure for which Senior Managers take ownership and is directly linked to the performance of each business. Organic sales growth is a key growth measure for the Company as discussed in the Executive Summary on page 16. For 2007-08 STAR, the target was 5.5%, slightly above the midpoint of the Company's long-term goal of 4% to 6%.

EPS growth: The target for 2007-08 was 10% diluted EPS growth for the year, excluding the year-to-year impact of Gillette dilution. This measure is used in the STAR calculation because it assures continued Company alignment with shareholder interests. By focusing the 14,000 Senior Managers who participate in STAR on EPS growth, we motivate our leaders to achieve or exceed this key measure of the Company's success.

2007-08 Results: Reported organic sales growth for the Company was 5%, slightly below the 5.5% target, while EPS grew above target at 11-12% (excluding the prior year impact of Gillette dilution and a current year net tax benefit). These two results, when entered into a formula previously approved by the Committee, derived a Total Company Factor of 101%, as compared with a target value of 100%.

Business Unit Factor Business unit results are included in the bonus calculation to motivate participants to help their business succeed. The performance factor determined for each business unit ranges from 53% to 167%. The targets for each business unit are established at the beginning of the fiscal year and vary by business unit, reflecting a variety of factors such as the different industries in which these businesses compete and the varying levels of investment in each business unit by the Company. Each measure is an indicator of the health of the Company's business units; the array of factors evaluated encourages a balanced approach to all aspects of business management. The targets are determined based on the long-term goals in relation to each business' role in the Company's portfolio. Each Business Unit Factor is determined by:

- n *Quantitative measurements* of topline growth in volume, sales and market share, and bottomline measures of profit, operating cash flow and operating total shareholder return (a cash flow return on investment (CFROI) model that measures sales growth, earnings growth and cash flow to determine the rate of return that a business earns); and
- n *Qualitative measures* 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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2007-08 Results: The Business Unit Factors that were applied to Named Executive Officers are as follows:

Ms. Arnold As the President of Global Business Units (GBUs), Ms. Arnold is responsible for developing the overall strategy for our portfolio of businesses. Her STAR Award is based on the weighted average of the results of all three GBUs Beauty, Health & Well Being and Household Care. The combined sales growth for the three GBUs was 10%, and the earnings growth was 11%. These factors, combined with the other quantitative and qualitative measures listed above and assessed for each of the business units, resulted in a weighted average Business Unit Factor of 105% applied to Ms. Arnold s STAR calculation. This reflects results that were slightly ahead of expectations.

Mr. McDonald As Chief Operating Officer, Mr. McDonald is responsible for the market development organizations, the global business services organization, and the centralized corporate functions. Accordingly, his Business Unit Factor is a weighted average of the performance factors for these organizations. In 2007-08, the combined market development organizations achieved sales growth of 10%. The global business services award, measured by a specific scorecard including measures such as cost savings, user satisfaction and delivery of service level targets, was ahead of target. Because the centralized corporate functions support all business units, the factor applied to those functions is the average of all Business Unit Factors, which was 110%. Weighting these factors, a composite Business Unit Factor of 113%, reflecting results ahead of expectations, was applied to Mr. McDonald s STAR calculation.

Mr. Panayotopoulos Mr. Panayotopoulos serves as Vice Chair of the Company s Household Care GBU. His Business Unit Factor is based on a weighted average of the performance factors of the businesses that are part of that GBU. The combined sales growth for Household Care was 10%. Earnings growth was 13%. Overall, combining these results with the other quantitative and qualitative factors listed above and assessed for each of the business units in Household Care, a Business Unit Factor of 127% was applied to Mr. Panayotopoulos STAR calculation. This reflects overall results that were ahead of expectations.

Gillette Integration Factor Ranging from 80% to 130%, this factor assesses the achievement of Gillette integration goals during key transition years and focuses all participants on the achievement of the goals set for this important integration. The factor has been a component of the STAR Award since 2005. The factor reflects the major integration milestones that occurred in fiscal year 2007-08, and is based on three categories:

- n *Business Momentum* goals relating to maintaining P&G and Gillette base business momentum in areas such as sales, market share and profit growth while integrating Gillette;
- n *Integration Financials* including dilution, cost and revenue synergies and total investment required to deliver the synergies; and
- n *Retention* percentage retention of Gillette heritage managers, plus assessments from employee surveys regarding how well Gillette heritage employees believe their skills and capabilities are being utilized.

2007-08 Results: All three components of the Gillette Integration Factor were in line with or ahead of target for the fiscal year. Business momentum was strong as both the heritage Gillette and P&G businesses continued to deliver sales and earnings growth at or ahead of target. The Company s integration financials were ahead of target, as the Gillette merger was modestly accretive in 2007-08. Retention was slightly ahead of the target we established at close of the merger, and our employee survey results indicate that Gillette heritage employees continue to be satisfied with their integration into the Company. Based on these results, the Committee approved an overall Gillette Integration Factor of 125%.

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The Committee reviews the recommendations for the Business Unit and Gillette Integration Factors and considering Company performance results, determines final payments for all Senior Executives. They retain the authority to make no award in a given year and the discretion to accept, modify, or reject management's recommendations.

For fiscal year 2007-08, the combined STAR performance factors resulted in a Company average STAR Award of 139% of STAR Target. The Committee concluded that Mr. Lafley and Mr. Daley should receive an award in line with this Company average, reflecting their leadership in achieving the Company's strong results in fiscal year 2007-08.

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	Gillette Integration Factor	STAR Award (\$)	STAR Award as % of Target
A.G. Lafley	2,890	Committee Decision Based on Performance			4,000	138%
Clayton C. Daley, Jr.	1,047	Committee Decision Based on Performance			1,453	139%
Susan E. Arnold	1,150	101%	105%	125%	1,524	133%
Robert A. McDonald	1,150	101%	113%	125%	1,641	143%
E. Dimitri Panayotopoulos	819	101%	127%	125%	1,313	160%

Summary of Total Annual Cash Compensation

Our Named Executive Officers' total annual cash compensation for fiscal year 2007-08 comprises the sum of their base salary and STAR annual bonus. These totals reflect their leadership performance in our Company, which sells products in over 180 countries and has on-the-ground operations in over 80 countries. Under their leadership, the depth and breadth of our portfolio is stronger now than at any time in the Company's history. We compete in over 22 categories and have 24 billion-dollar brands. Their annual cash compensation reflects their performance in a company of our size, scope and complexity.

Comparing the annual cash compensation of the Chief Executive Officer to the median actual annual cash compensation of his peers, Mr. Lafley's total for fiscal year 2007-08 was \$5,700,000, approximately 9% above the median. The Committee believes this properly compensates Mr. Lafley given his leadership as the Company delivered another year of growth at or above the Company's growth goals. It is also appropriate given our Company's size we are now in the 65th percentile for revenue and 82nd percentile for market capitalization among our Peer Group. For more information regarding Mr. Lafley's performance over the year, please see details on pages 33 to 34 of this proxy statement.

We compare the annual cash compensation of the remaining Named Executive Officers to the median cash compensation of similar roles in the Peer Group, accounting for different responsibilities relative to the size of the organization for which each is responsible. On average, the total annual cash compensation of these four officers is approximately 10% above the market median, and reflects their overall performance in leading our business.

Long-Term Incentive Programs

The majority of total compensation for Senior Executives is long-term compensation. It is paid through two programs the Key Manager Annual Stock Grant and the BGP three-year incentive plan. The Committee establishes a 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, and then allocates this overall target into a target for each of the two programs. BGP targets are based on salaries at the beginning of each BGP three-year cycle. Key Manager targets are established by subtracting these BGP targets from the median total long-term compensation of similar positions in the Peer Group described above. Actual amounts earned depend upon performance.

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Key Manager Annual Stock Grant

The purpose of the Key Manager Annual Stock Grant program is to focus executives' attention on the long-term performance of the Company and directly link executives' interests to those of the shareholders. For all Named Executive Officers except Mr. Lafley, these Key Manager Grants were previously made in stock options. Beginning in fiscal year 2007-08 all Executives (except Mr. Lafley) could elect to receive up to 50% of their award in RSUs. The Committee allowed the choice of RSUs to address individual preferences and to better align our practices with those of companies in our Peer Group, which generally grant a mix of stock options and RSUs. The Committee continues to require that at least half of every Key Manager Grant be delivered in stock options because stock options tightly align participants' interests with those of the Company's shareholders producing no value whatsoever if shareholders do not realize gains. The use of stock options and RSUs ties a significant portion of our executives' total compensation to stock price performance. This program aligns with overall compensation program objectives by focusing on long-term Company performance and drives shareholder value by rewarding sustained increases in share price.

The stock options are not exercisable (do not vest) until three years from date of grant and expire ten years from date of grant. RSUs deliver in shares five years from date of grant. Recipients must remain employed for six months after the date of grant to retain their Key Manager Annual Stock Grant. The three-year stock option vest and five-year forfeitability restriction on RSUs enhance ownership and retention because employees who voluntarily resign from the Company during the specified periods forfeit their grants, and those who retire must wait the three or five years before shares are available to them.

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 each Senior Executive based on individual performance and experience in their position. These recommendations can be up to 50% above or 50% below the target grant. In exceptional cases, no grant will be awarded. As noted previously, the Committee retains full authority to accept, modify or reject these recommendations. The Committee also reviews total Company performance and individual performance to determine the Key Manager Grant and form of delivery for the Chief Executive Officer.

Based on Mr. Lafley's recommendation, the Committee awarded grants to the other Named Executive Officers with the following fair values as recognized in accordance with SFAS 123(R). Mr. Daley received a grant of \$3,724,096. Mr. Daley's business expertise and leadership in the Gillette integration were determining factors in this grant. Ms. Arnold received a grant of \$3,669,007 reflecting her experience and leadership in her current position and the overall performance of the Company's Global Business Units. Mr. McDonald's grant of \$4,280,511 reflects the important role he played in the Gillette integration and his performance as Chief Operating Officer. Mr. Panayotopoulos received a grant valued at \$3,179,824 based on his performance and leadership of the Global Household Care business unit. Mr. Daley elected to receive 25% of his grant in RSUs. Ms. Arnold and Messrs. McDonald and Panayotopoulos elected to receive 100% of their respective grants in stock options.

The Committee believes Mr. Lafley continues to perform effectively and to deliver consistent results at or ahead of the Company's long-term performance goals. The Committee determined it was appropriate to award Mr. Lafley a Key Manager Grant with a fair value of \$16,032,771. The Committee awarded 50% of the grant in stock options and 50% in RSUs.

Business Growth Program (BGP) Three-Year Incentive

BGP is the second long-term incentive component for Senior Executives and focuses these leaders on the long-term goals most critical to the overall success of the Company. BGP places compensation at-risk subject to the achievement of specific Company growth objectives. BGP is designed to reward the achievement of three-year performance goals, with a new period beginning when the preceding three-

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year period ends. Fiscal year 2007-08 was the third, and final year in the current three-year program that ran from July 1, 2005 to June 30, 2008. Recommended BGP payments are calculated based on a formula comparing actual results to pre-established performance targets, but the Committee can reduce or eliminate payments if they determine that such payments are inconsistent with shareholders' best interests. The target BGP Award amount for the three-year period which is set at the beginning of the performance period, is six times base salary for the Chief Executive Officer and three times base salary for the other Named Executive Officers.

The total BGP Award amount for the three-year period is based on results with respect to two metrics that balance Senior Executives' focus and lead to sound business decisions for the long-term health of the Company:

Compound EPS Growth Earnings per share growth as measured against goals set by the Committee for the performance period; and

Operating Total Shareholder Return a cash flow return-on-investment (CFROI) model that measures sales growth, earnings growth and cash flow generation to determine the rate of return that a business earns.

For the most recent three-year period, the EPS growth target was maintained at 10% compound annual growth, in line with the Company's commitment to eliminate Gillette dilution within three years of the 2005 acquisition. Operating TSR, an internal, proprietary metric, is based on the Company's on-going EPS growth goal of 10% and our free cash flow productivity goal of 90% or greater. Each of these Company goals is demanding, as they represent industry-leading performance. The Committee established accounting guidelines at the beginning of the three-year performance period to define the methodology for calculating performance results.

The results of these two metrics are entered into a matrix formula that was approved by the Committee at the beginning of the three-year performance period and yields a payout percentage range from 0% to 200%. Interim payments of 30% of the total anticipated BGP Award may be earned and paid in year one and year two of the three-year performance period, but only if both target metrics are met or exceeded for these periods. Once the final year of the three-year period is complete and the final BGP Award calculation is made, any interim payments are subtracted from this final award calculation to determine the final payment to be made in year three. In the unlikely event that total interim payments exceed the final BGP Award for the three-year period, the Committee will require repayment of any amount overpaid.

Each BGP payment is divided in half. One-half is paid in RSUs that do not deliver in shares of stock until three years following the date of grant, even if the executive retires before that time. This aligns the interests of the Senior Executives with shareholders by encouraging participants to focus on the health of the Company beyond the performance period and promotes the retention of key top talent who will forfeit undelivered units if they resign. The other half of each BGP payment is awarded in cash, RSUs or deferred compensation, at the executive's election.

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The chart below shows the three-year 2005-2008 results of the two BGP metrics, and the final calculation. The results of these metrics were entered into the matrix formula previously approved by the Committee, and the resulting payout percentage factor for the three-year cycle was 120%:

Measure (7/1/2005 - 6/30/2008)	Target	Result
Compound EPS Growth (excluding the dilutive impact of the merger with Gillette)	+10%	+12% ¹
Operating TSR	Pre-established target	Slightly below target
2005-2008 Calculation	120% x Executive's BGP Target	

¹ Excludes the net tax benefit from a number of certain significant adjustments to tax reserves in the U.S. and other countries in fiscal year 2007-08, consistent with the BGP program.

The chart below shows the calculation of the 2008 BGP payment (final year in the three-year cycle) for each Named Executive Officer, taking into account interim payments made in 2006 and 2007. In years one and two of the program, the Company exceeded the compound EPS growth goal and met or exceeded the total shareholder return goal. Therefore, the Company made interim payments in 2006 and 2007 based on these first two years of strong performance. For the full three-year performance period compound EPS growth exceeded the goal while total shareholder return was slightly below the goal. These results, when entered into the matrix formula, derived a three-year BGP Award payout percentage factor of 120%. After applying this factor to each Named Executive Officer's target and subtracting the interim payments made in 2006 and 2007, the final payment is lower than the prior two years and less than 120% of target for the third year. This reflects that the Company's compensation programs are working as described that we pay for performance.

BGP Payment Summary
(Dollar Figures Shown in Thousands)

Named Executive Officer	Three-year Target	Three-year Award Calculation (Target x 120%)	2006 Interim Payment (193%)	2007 Interim Payment (170%)	Final Payment (Three-year Award Calculation minus Sum of Interim Payments)
A. G. Lafley	10,200	12,240	5,906	5,202	1,132
Clayton C. Daley, Jr.	2,520	3,024	1,459	1,285	280
Susan E. Arnold	2,730	3,276	1,581	1,392	303
Robert A. McDonald	2,730	3,276	1,581	1,392	303
E. Dimitri Panayotopoulos	2,400	2,880	1,390	1,224	266

Summary of Long-Term Incentive Compensation

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Our Named Executive Officers' total long-term incentive (LTI) compensation represents the sum of the amount awarded under the Key Manager program and the Final Payment amount 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. Mr. Lafley's total annualized LTI of \$17,164,971 is approximately 42% above the Peer Group median and is a reflection of the performance considerations described on pages 33 to 34 of this proxy statement. On average, the other Named Executive Officers' total LTI was approximately 7% above the Peer Group median LTI for comparable positions which is in line with the Company's overall performance over the past year. This reflects each officer's individual

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performance and contributions discussed on page 27 in the Key Manager section of this Compensation Discussion and Analysis and the total Company results of the BGP three-year program.

Retirement Programs

The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Program and the PST Restoration Program

The Procter & Gamble Profit Sharing Trust and Employee Stock Ownership Program (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 allocation consisting of a contribution of: 1) preferred shares funded by the PST, and 2) shares of Company common stock purchased by the PST trustees using a cash contribution from the Company. Participants earn dividends on the stock in the PST account and have the option of reinvesting those dividends or taking them in cash. The amount of the combined annual contribution varies based upon individual base salaries and years of service.

Some participants in PST are subject to the federal tax limitations on contributions that may be made each year to their PST accounts and therefore do not receive the full calculated contribution. Under the nonqualified PST Restoration Program, the Company makes an additional contribution, in the form of RSUs, to those participants whose PST contribution is limited. The value of these RSUs is 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 any additional Special Executive Retirement Programs (SERP) for our top 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.

Country Pension Plan

Certain employees participate in country pension plans that provide primary and supplementary retirement benefits. Because Mr. Panayotopoulos started his career in the United Kingdom, he has assets frozen in his original pension plan in the United Kingdom. The Procter & Gamble Pension Fund (UK) provides for post-retirement payments based on the employee's ending salary and years of service. This plan also includes a supplemental or temporary UK pension benefit that provides pension payments to employees who retire after age 59 but prior to age 65. The amount of such payments is similar to the pension payments that the employee will receive from the government when he or she reaches age 65. This temporary benefit stops when government pension payments begin.

International Retirement Plan

Retirement programs have also been established for employees who are on expatriate assignments for an extended period of time or who transfer out of their home country on a permanent basis. These programs are necessary to ensure that individuals who accept an assignment outside their home country are not disadvantaged in their ability to accumulate competitive retirement benefits. The International Retirement Plan (IRP) was established to provide retirement savings for certain employees on international assignment who are not eligible to participate in their home country pension plan due to plan or legal restrictions. The annual plan contribution for Mr. Panayotopoulos, who participates in the IRP, is calculated using the same formula as PST. Mr. Panayotopoulos is permitted to take this contribution in the form of RSUs or to invest in one of several investment vehicles offered within the IRP.

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Global International Retirement Arrangement

Mr. Panayotopoulos also participates in the Global International Retirement Arrangement (Global IRA). The Global IRA is designed to provide retirement benefits to certain employees whose benefits are frozen under their home country pension plan(s) as a result of having been transferred away from their home country on a permanent basis. Benefits paid under the country pension plans are based on the employee s salary at the time of transfer instead of the employee s salary at the time of his or her retirement. The Global IRA accounts for the differences in retirement benefits attributable to a higher salary at the time of retirement than at the time of transfer out of the home country. As such, the Global IRA is reduced on a dollar for dollar basis by any retirement pension benefit paid by either the Company or the government which was earned through the employee s home country.

Perquisites and Executive Benefits

The Company provides limited perquisites and special benefits to certain executives. These arrangements fulfill particular business purposes. Benefits such as home security systems, secured workplace parking and an annual physical 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 eliminate distraction, focus their attention on 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.

Expatriate and Relocation Program

The Company s global business needs require it to temporarily relocate certain employees with special or unique skills to countries where those skills may not be available. To meet this need, the Company utilizes expatriate assignments. To provide incentives to encourage employees to accept these assignments, to ensure that they become productive as soon as possible after relocation, and to minimize any financial impacts associated with these assignments, the Company provides certain benefits to these expatriates.

To enable an expatriate to maintain a reasonable standard of living in countries where living expenses are higher than his or her home country, the Company pays for a housing allowance and related support, cost of living adjustments, education support, travel to and from home country, and tax preparation and immigration expenses. The Company also pays for certain expenses upon an employee s return home. In addition, the Company makes certain tax equalization payments or reimbursements for expatriates. The purpose of these tax equalization payments and reimbursements is to ensure that the expatriate assignment is tax neutral to the employee. Expatriates pay a hypothetical tax to the Company, in amounts about equal to the taxes of a home country peer not on expatriate assignment, and the Company then

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pays the actual taxes due. The Company's cost is limited to any difference between the actual taxes paid by the Company and the hypothetical tax received from the employee. Tax equalization payments may occur after an expatriate assignment has ended, when taxes are owed in future years to the host country.

In connection with his expatriate assignment in Geneva, Switzerland for 10 months of the fiscal year, and relocation to the United States effective May 1, 2008, Mr. Panayotopoulos received some of these allowances and reimbursements. During this time, the Company also made certain tax equalization payments on his behalf.

Total Compensation for Named Executive Officers

The Committee believes the executive compensation programs described above meet the Company's compensation principles of supporting business strategies, paying for performance and paying competitively. Given the Company's emphasis on stock-based compensation as a major form of compensation for its Named Executive Officers, 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 awards to our Named Executive Officers in fiscal year 2007-08. 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.

Actual Compensation Awarded 2007-08

Name	Actual Compensation Awarded in 2007-08						Total Compensation Awarded	Adjustments Required for Summary Compensation Table			
	STAR Annual		Value of Key Manager Award ¹	BGP Award	PST Restoration or IRP Award	Other Compensation ²		Plus Prior stock option grants expensed this FY ³	Plus Prior RS/RSU grants expensed this FY ⁴	Less 2008 stock options to be expensed in future FY ⁵	Plus tax and other payments for prior expatriate assignment ⁶
	Salary (\$)	Bonus (\$)									
A. G. Lafley	1,700,000	4,000,000	16,032,771	1,132,200	323,648	316,828	23,505,447				26,963
Clayton C. Daley, Jr.	910,000	1,453,327	3,724,096	279,720	150,350	66,893	6,584,386				
Susan E. Arnold	1,000,000	1,524,469	3,669,007	303,030	170,056	59,487	6,726,049	2,511,715	150,009	(1,834,503)	
Robert A. McDonald	1,000,000	1,640,619	4,280,511	303,030	170,056	75,254	7,469,470	2,907,378	300,004		274,925
E. Dimitri Panayotopoulos	910,000	1,313,164	3,179,824	266,400	166,376	57,293	5,893,057		200,003	(244,607)	2,183,852

¹ Represents the grant date fair value of the 2008 Key Manager Award determined in accordance with SFAS 123(R).

² Represents total of PST contribution, perquisites and other executive benefits.

³ Those portions of prior year stock options that were expensed during fiscal year 2007-08.

⁴ Those portions of prior year special equity awards that were expensed during fiscal year 2007-08.

⁵ Those portions of fiscal year 2007-08 stock option awards that will be expensed in future years.

⁶ Tax payments related to Messrs. Lafley's and McDonald's stock options received while on prior expatriate assignments and tax and other payments related to Mr. Panayotopoulos' expatriate assignment during fiscal year 2007-08.

As noted in the Executive Summary on page 16 of this proxy statement, Named Executive Officers' total compensation targets are set consistent with total compensation paid for similar positions in our Peer Group. This is consistent with our approach to compensation at all levels of the Company. Once targets are established, actual Company, business unit and individual performance affect the amount of compensation paid to any individual Named Executive Officer and may result in substantial differences among the Named Executive Officers. The Committee believes this approach is consistent with our principles to pay competitively and to pay for performance, and therefore 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.

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Chief Executive Officer Compensation

Mr. Lafley's compensation is determined by the Committee using the same principles applied to all Senior 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 it 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 2007-08:

- The Company's overall results for fiscal year 2007-08, as shown on page 16;
- Mr. Lafley's individual performance during the year;
- The compensation awarded to other chief executives in our Peer Group producing similar results; and
- Our compensation principles and objectives as discussed on pages 16 to 17 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:

- Continued focus on ethics throughout the Company;
- Continued delivery of business goals, including market shares increasing in more than half of the business, and sales, volume, profit and cash in line with or ahead of the Company's sustainable growth targets;
- Clear and effective business strategies and leveraging of business structure for competitive advantage;
- Enhanced Company ability to innovate and to create and build leading brands;
- Continued focus on employee, customer and consumer diversity as recognized by several global publications;
- Continued emphasis on organizational development, including the development of top talent and potential successors for key executive positions, including the Chief Executive Officer role; and
- External recognition of Mr. Lafley and the Company's leadership, including:
 - n Mr. Lafley named to *Barron's* list of the 30 best corporate leaders worldwide;
 - n #2 on *Fortune's* Top Companies for Leaders survey;
 - n #4 on *Barron's* World's Most Respected List;
 - n #5 ranking on *Fortune's* Global Most Admired Companies;
 - n #8 on *Business Week's* list of World's Most Innovative Companies;
 - n Top ranking on the Dow Jones Sustainability Index from 2000-2008;
 - n Awarded 2008 Advertiser of the Year at the Cannes International Advertising Festival;
 - n A consistent #1 ranking on *Fortune's* U.S. Household and Personal Products most admired list for 23 of 24 total years and for 11 years in a row.

The Committee also considered Mr. Lafley's leadership of the successful completion of the integration of Gillette that occurred in fiscal year 2007-08, the largest and most complex integration in the history of the consumer products industry. Finally, the Committee has tremendous confidence in Mr. Lafley's ongoing leadership, based in part on his sustained performance and his commitment to strengthen the Company for the future. Since 2001, under Mr. Lafley's leadership, the Company's sales have more than doubled to \$83.5 billion, average annual earnings per share growth has been 13%, and the Company has generated \$59 billion in free cash flow. In addition, the Company's compound annual TSR over the past seven years ranked in the top third of its TSR peer group.

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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 (which did not increase in the past five years), STAR annual bonus, Key Manager Annual Stock Grant, BGP three-year incentive 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 the individual compensation elements and Mr. Lafley's total compensation for fiscal year 2007-08 were consistent with his performance.

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 Senior Executives, including 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 Senior Executives (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 Senior Executives, including the Named Executive Officers, are made by the Committee.

Tax Gross-Ups

Generally, the Company does not increase payment to any employees, including Named Executive Officers, to cover personal income taxes. However, certain expatriate allowances, relocation reimbursements and tax equalization payments are made to employees assigned to work outside his or her home country 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. For more information on the Expatriate and Relocation Program please see pages 31 to 32 of this proxy statement.

Use of Independent Compensation Committee Consultant

The Committee has hired independent consultant Frederic W. Cook & Co. and directed it to advise the Committee 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 formal policy prohibiting any compensation consultant retained by the Committee from doing any other business for the Company or its management.

Timing and Pricing of Stock-Based Grants

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 well over a year 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 the same grant price practice. The pre-established grant dates and prices for executive compensation programs are:

Program	Grant Date	Grant Price
STAR ¹	Last business day on or before September 15	Closing price on grant date
Key Manager	Last business day of February or, if needed for corrections, a second grant on the last business day prior to May 10	Closing price on grant date
BGP	Last business day on or before September 15	Closing price on grant date
PST Restoration and IRP	First Thursday in August	Average of the high and low stock price for the last five days of June

¹ Stock grants under the STAR program occur only if the Senior Executive elects a payment in stock.

Special Equity Awards

On rare occasions, in response to unique situations, the Committee has the authority to make 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. No such grants were made to Named Executive Officers in fiscal year 2007-08. If made, grant dates are reviewed and approved as far in advance as possible. No grants are made retroactively.

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 Senior 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 Procter & Gamble 2001 Stock and Incentive Compensation Plan (as amended) (the 2001 Plan) to suspend or terminate any outstanding stock option if the Committee determines that the participant has acted significantly contrary to the best interests of the Company or its subsidiaries.

Deferred Compensation Plan

The Procter & Gamble Company Executive Deferred Compensation Plan, established in 2004 to maintain a competitive benefits package, allows Senior Executives to defer receipt of up to 100% of their STAR annual bonus, up to 50% of their BGP interim and final payments, and/or up to 50% of their annual base salary. The Company retains the cash amounts, while a notional account is set up with investment choices that mirror those available to all U.S. employees who participate in The Procter & Gamble Savings Plan. No above-market or preferential interest is credited on deferred compensation, as defined for purposes of the SEC disclosure rules.

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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 2007-08, 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 continue to pay Mr. Lafley a competitive base salary of \$1,700,000, with \$700,000 not deductible by the Company. Named Executive Officers are eligible for other grants, even though such grants may result in non-deductible payments. In certain years, individuals may receive non-deductible payments resulting from awards made prior to becoming a Named Executive Officer. Ms. Arnold received a special equity grant in 2003, before she became a Named Executive Officer. This award of restricted stock vested in June 2008 and was not deductible by the Company.

Governing Plans

All grants of stock options, restricted stock and/or RSUs are made under the 2001 Plan or The Gillette Company 2004 Long-Term Incentive Plan (the 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.

PST retirement benefits are governed by trustees, who oversee both: (a) the Profit Sharing Trust, and (b) the Profit Sharing Trust and Employee Stock Ownership Plan, a qualified defined contribution plan providing retirement benefits for U.S.-based employees. Other retirement benefits discussed in this Compensation Discussion and Analysis are governed by The Procter & Gamble Company Global International Retirement Arrangement, The Procter & Gamble Pension Fund (UK), and The International Retirement Plan.

Payment of Dividends and Dividend Equivalents

Restricted stock earns dividends at the same rate as dividends paid on the Company's common stock. These dividends are paid in cash every quarter. For RSUs granted pursuant to STAR, BGP, PST Restoration and IRP, recipients accumulate additional units called dividend equivalents at the same rate as dividends paid on the Company's common stock. Dividend equivalents are subject to the same restrictions as the award on which they are based, and are only delivered in shares when and if the original award is delivered in shares. For RSUs granted under the Key Manager program, no dividend equivalents are earned.

2008-09 Executive Compensation Programs

The Committee reviewed the competitiveness of total short-term compensation for the Named Executive Officers at its June 10, 2008 meeting and determined that some adjustments are reasonable for

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the upcoming year to position the annual cash compensation to the median of our Peer Group when regressed for revenue size. Based on that discussion, the Committee approved an increase to Mr. Lafley's base salary to \$1,800,000 as of July 1, 2008. The Committee also approved increases to STAR Targets as follows: Mr. Lafley from 170% to 175% of base salary and Ms. Arnold and Mr. McDonald from 115% to 125% of base salary, effective for fiscal year 2008-09.

On August 12, 2008, the Committee approved a change to the Company's STAR Program. As further described on pages 23 to 25 of this proxy statement, STAR Awards were previously based on three performance factors: a Total Company Factor, a Business Unit Factor and the Gillette Integration Factor. Because the Company completed the integration of The Gillette Company in fiscal year 2007-08, the Committee removed the Gillette Integration Factor for fiscal year 2008-09.

Executive Compensation

The following tables, footnotes and narratives, found on pages 37 to 51, provide information regarding the compensation, benefits and equity holdings in the Company for the Named Executive Officers—the Chief Executive Officer, the Chief Financial Officer and the Company's next three most highly compensated executive officers.

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

¹ Mr. Daley's salary was increased to \$910,000 in January 2007. For the 10 months of the fiscal year when Mr. Panayotopoulos was on expatriate assignment in Geneva, Switzerland, his U.S. dollar salary was converted to and paid in Swiss francs on a monthly basis. The monthly salary exchange rate was based on a prior four-week weighted average calculated prior to cost of living index updates each month. Rates were collected daily in major international publications.

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² For fiscal year 2007-08, Bonus reflects 2007-08 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 and for fiscal

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- year 2007-08 elected the following: Mr. Lafley, 100% deferred compensation; Mr. Daley, 75% cash and 25% deferred compensation; Ms. Arnold and Messrs. McDonald and Panayotopoulos, 100% cash. The totals above reflect the amounts earned for fiscal year 2007-08 that will be paid on September 15, 2008. For more information on STAR, see pages 23 to 26 of this proxy statement.
- ³ For fiscal year 2007-08, Stock Awards includes any of the 2007-08 BGP award earned in the fiscal year that will be paid in RSUs on September 15, 2008, including 50% 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 7, 2008. For Mr. Lafley, 2007-08 Stock Awards also includes the amounts expensed in the fiscal year for his February 2008 Key Manager RSU award. For Mr. Daley, 2007-08 Stock Awards includes the amount expensed in the fiscal year for the 25% of his Key Manager Award that Mr. Daley elected to take as RSUs. See page 27 of this proxy statement for further discussion about this RSU-election option. For Ms. Arnold and Messrs. McDonald and Panayotopoulos, 2007-08 Stock Awards also includes amounts expensed during the fiscal year for a special equity grant of restricted stock awarded to each of them in a prior year. For more information on BGP, the PST Restoration Program and IRP, and special equity awards, please see pages 27 to 29, 30 to 31, and 35, respectively, of this proxy statement. The fair value of these awards is determined in accordance with SFAS 123(R). Please see Note 8 to the Consolidated Financial Statements contained in the Company's 2008 Annual Report for more information.
- ⁴ Option Awards for fiscal year 2007-08 includes the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2007-08, in accordance with SFAS 123(R). As described on page 27 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 2007-08 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 8 to the Consolidated Financial Statements contained in the Company's 2008 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 Messrs. Lafley, Daley, 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. Mr. Panayotopoulos also received a portion of his Key Manager option grant in the April-June quarter which will be expensed over the retention period for that grant, half of which is in this fiscal year (and reflected in the total above), and half in next fiscal year. In addition, Mr. McDonald's total reflects the portions of prior awards expensed in the fiscal year. Because Ms. Arnold is not yet retirement eligible but will become retirement eligible within the vesting period, the fair value of her award is expensed over the period of time from the grant date until Ms. Arnold becomes retirement eligible. 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 2007-08 includes any portion of the 2007-08 BGP award earned in the fiscal year that will be paid in the form of cash or deferred compensation on September 15, 2008, as elected by the individual Named Executive Officer. Executives must take 50% of their award in RSUs, noted above in the Stock Awards column, and the remaining 50% can be paid in cash, deferred compensation or RSUs. All Named Executive Officers elected either cash or deferred compensation for this 50% of their 2007-08 BGP award. Messrs. Lafley, McDonald and Panayotopoulos, and Ms. Arnold, elected to take this 50% of their respective 2007-08 BGP awards in cash, and Mr. Daley elected to take 25% of his 2007-08 BGP award in cash and 25% of his 2007-08 BGP award as deferred compensation.
- ⁶ The actuarial present value of Mr. Panayotopoulos' pension benefits decreased by \$167,000 for the Global International Retirement Arrangement and increased by \$32,000 for The Procter & Gamble Company Pension Plan (UK), respectively, for the period between July 1, 2007 and June 30, 2008. See the Pension Benefits Table on pages 45 to 46 for additional information on Mr. Panayotopoulos' pension benefits. 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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Name	Year	Profit		Executive		Tax		Total
		Sharing Contri- butions ⁱ	Group Life Insurance ⁱⁱ	Flexible Compensation Program Contributions ⁱⁱⁱ	Expatriate and Relocation Payments ^{iv}	Reimburse- ments ^v	Perquisites or Executive Benefits ^{vi}	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
A. G. Lafley	2007-08	49,052	12,825	4,450	n/a	26,963	250,501	343,791
	2006-07	47,958	10,628	6,400	n/a	63,309	248,466	376,761
Clayton C. Daley, Jr.	2007-08	49,052	3,447	4,450	n/a	n/a	9,944	66,893
	2006-07	47,958	2,520	6,400	n/a	n/a	36,883	93,761
Susan E. Arnold	2007-08	49,052	2,832	4,450	n/a	n/a	3,153	59,487
	2006-07	47,958	2,230	5,350	n/a	n/a	10,302	65,840
Robert A. McDonald	2007-08	49,052	3,037	4,450	n/a	274,925	18,715	350,179
	2006-07	47,958	2,397	6,400	n/a	254,504	10,332	321,591
E. Dimitri Panayotopoulos	2007-08	33,065	3,046	4,450	245,200	1,938,652	16,732	2,241,145

- i. Amounts contributed by the Company pursuant to PST, a qualified defined contribution plan providing retirement benefits for U.S.-based employees, described more fully on page 30 of this proxy statement. 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, described more fully on pages 30 to 31 of this proxy statement. 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 2007 and calendar year 2008, 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 2007 and 2008 under these policies were as follows: Mr. Lafley, \$104,307; Mr. Daley, \$35,820; Ms. Arnold, \$43,884; Mr. McDonald, \$40,657; and Mr. Panayotopoulos, \$28,145. 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. The fiscal year 2007-08 amounts reflect a Company-wide reduction in this benefit.
- 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. In connection with Mr. Panayotopoulos' expatriate assignment, from July 2007 through April 2008, he received: a housing allowance and related support of \$133,664, cost of living adjustments of \$47,420, education support of \$19,929, an annual home leave trip valued at \$3,980, and tax preparation and immigration expense reimbursement of \$10,521. As part of his relocation to the U.S. on May 1, 2008, Mr. Panayotopoulos also received a relocation payment and travel expense reimbursement totaling \$29,686. During his expatriate assignment, the above payments were first determined in U.S. dollars and converted to and paid in Swiss francs. The exchange rates were based on a prior four-week weighted average calculated prior to cost of living index updates each month. Rates were collected daily in major international publications.
- v. 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 2007-08, the Company made such payments for Messrs. Lafley's and McDonald's prior expatriate assignments. For fiscal year 2007-08, the Company made certain tax equalization payments to cover incremental taxes required to be paid in connection with Mr. Panayotopoulos' expatriate assignment which was not completed until April 30, 2008. Mr. Panayotopoulos' tax reimbursement reflects the total of \$2,963,329 the Company paid for actual Swiss taxes due, and \$402,481 for U.S. taxes due in the fiscal year, minus \$1,427,158 of hypothetical tax that Mr. Panayotopoulos paid to the Company in the fiscal year. Because all final tax assessments for prior years have not yet been received from the Swiss authorities, the actual amount paid by the Company includes the final assessment for tax year 2003 of \$39,725 and additional Swiss tax estimates paid based on returns previously filed for 2004, 2005 and 2006 totaling \$2,554,906. Of this amount, \$2,158,274 was Swiss tax paid for the 2006 tax year. The 2006 liability is significantly higher than in prior years because all of Mr. Panayotopoulos' retirement RSUs became taxable in Switzerland in 2006, the year he became retirement eligible. Because these RSUs are not fully taxable in the U.S. until they later deliver in shares, there is a large difference in the hypothetical taxes paid by Mr. Panayotopoulos and the actual Swiss taxes paid by the Company in this fiscal year. Please see the Expatriate and Relocation Program section of the Compensation Discussion and Analysis on pages 31 to 32 of this proxy statement for additional information.

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vi. 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, was \$225,404 for fiscal year 2007-08 and is included in the total above. Ms. Arnold and Messrs. Daley, McDonald and Panayotopoulos 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 passengers, may use it for personal travel and guest accompaniment. Ms. Arnold and Messrs. Daley and McDonald utilized the Company aircraft for travel to outside board meetings and any cost associated with travel to those meetings not fully reimbursed by the other company, is included above. Mr. McDonald utilized the Company aircraft for one personal stop while traveling for business and that incremental cost is included in the total above. Each of Ms. Arnold and Messrs. Daley and McDonald 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 14 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.

Table of Contents**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 2007-08.

Grants of Plan-Based Awards Table

Name	Grant Date	Compensation & Leadership Development Committee Action Date ¹	Plan Name ²	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 ³ (\$ per share)	Grant Date Fair Value of Stock and Option Awards ⁴ (\$)
A. G. Lafley	02/29/2008	02/12/2008	Key Manager Options ⁵	n/a	480,783	66.18	7,782,736
	02/29/2008	02/12/2008	Key Manager RSUs ⁶	137,367	n/a	n/a	8,250,035
	09/14/2007	08/14/2007	BGP 3-Year RSUs ⁷	38,358	n/a	n/a	2,601,056
	08/02/2007	04/15/2007	PST Restoration RSUs ⁸	5,297	n/a	n/a	324,494
Clayton C. Daley, Jr.	02/29/2008	02/12/2008	Key Manager Options ⁵	n/a	169,991	66.18	2,751,751
	02/29/2008	02/12/2008	Key Manager RSUs ⁶	16,190	n/a	n/a	972,345
	09/14/2007	08/14/2007	BGP 3-Year RSUs ⁷	9,477	n/a	n/a	642,635
	08/02/2007	04/15/2007	PST Restoration RSUs ⁸	2,416	n/a	n/a	148,004
Susan E. Arnold	02/29/2008	02/12/2008	Key Manager Options ⁵	n/a	226,655	66.18	3,669,007
	09/14/2007	08/14/2007	BGP 3-Year RSUs ⁹	10,267	n/a	n/a	696,205
	08/02/2007	04/15/2007	PST Restoration RSUs ¹⁰	2,470	n/a	n/a	151,312
Robert A. McDonald	02/29/2008	02/12/2008	Key Manager Options ⁵	n/a	264,431	66.18	4,280,511
	09/14/2007	08/14/2007	BGP 3-Year RSUs ⁹	10,267	n/a	n/a	696,205
	08/02/2007	04/15/2007	PST Restoration RSUs ¹¹	2,470	n/a	n/a	151,312
E. Dimitri Panayotopoulos	05/09/2008	04/20/2008	Key Manager Options ¹²	n/a	30,671	65.21	489,214
	02/29/2008	02/12/2008	Key Manager Options ⁵	n/a	166,214	66.18	2,690,610
	09/14/2007	08/14/2007	STAR Elected Options ¹³	n/a	45,198	67.81	835,792
	09/14/2007	08/14/2007	BGP 3-Year RSUs ⁹	9,026	n/a	n/a	612,053
	08/02/2007	04/15/2007	IRP RSUs ¹¹	2,923	n/a	n/a	179,063

¹ Grant dates for equity awards are consistent from year to year, as described on pages 34 to 35 of this proxy statement. The Compensation & Leadership Development Committee meets on the same timing as the regularly scheduled Board of Directors meetings. Decisions regarding grant amounts are typically made by the Committee at the meeting preceding the established grant date. Decisions regarding PST Restoration Program RSUs and IRP RSUs are made at the April meeting, though grants are not made until August.

² All of the plan-based awards reported in this table were granted pursuant to The Procter & Gamble 2001 Stock and Incentive Compensation Plan. We have specified the executive compensation program under which each award was granted. Key Manager Annual Stock Grants were awarded in fiscal year 2007-08. BGP awards, PST Restoration Program awards, STAR awards and IRP RSUs were earned in fiscal year 2006-07 but granted in 2007-08. For awards granted under 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.

³ The options granted were awarded using the closing price of the Company stock on the date of grant.

⁴ This column reflects the grant date fair value of each award computed in accordance with SFAS 123(R).

⁵ These options vest on February 28, 2011 and expire February 28, 2018.

⁶ These units deliver in shares on February 28, 2013.

⁷ These units are forfeitable until September 14, 2010 and will deliver in shares in ten annual installments beginning one year following retirement.

⁸ These units will deliver in shares in ten annual installments beginning one year following retirement.

⁹ These units are forfeitable until September 14, 2010, at which time they will deliver in shares.

¹⁰ These units are forfeitable until Ms. Arnold is eligible for retirement, and will deliver in shares one year following retirement.

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- ¹¹ These units will deliver in shares one year following retirement.
- ¹² These options vest on May 9, 2011 and expire May 9, 2018.
- ¹³ These options vest on September 14, 2010 and expire September 14, 2017.

Table of Contents**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 2007-08. The market value of shares or units that have not vested was determined by multiplying the closing market price of the Company's stock on June 30, 2008 (\$60.81) by the number of shares or units.

Outstanding Equity at Fiscal Year-End Table

Name	Grant Date ¹	Option Awards			Stock Awards			
		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 ₅		44.2656	02/26/2014			
	07/01/1999	1,908 ₅		43.2423	07/01/2014			
	07/09/1999	7,496 ₅		42.7329	07/09/2014			
	09/15/1999	83,301 ₅		49.4759	09/15/2014			
	07/10/2000	21,720 ₅		27.4459	07/10/2015			
	09/15/2000	204,691 ₅		31.0118	09/15/2015			
	09/24/2001	384,061 ₅	(1)	34.5688	09/24/2016			
	09/13/2002	336,712 ₅		45.6625	09/13/2012			
	09/15/2003	97,890 ₅		45.9700	09/15/2013			
	02/27/2004	352,917 ₅		51.4150	02/27/2014			
	09/15/2004	92,896 ₅		56.5150	09/15/2014			
	09/15/2004					66,215 ₅	4,026,534 (3)	
	09/15/2004					46,925 ₅	2,853,509 (4)	
	02/28/2005	573,229 ₅		53.5950	02/28/2015			
	08/04/2005					3,104 ₅	188,754	
	09/15/2005					45,661 ₅	2,776,645 (10)	
	09/15/2005					30,133 ₅	1,832,388 (8)	
	12/01/2005					125,715 ₅	7,644,729	
	02/28/2006			430,441 ₅	60.5000	02/28/2016		
	02/28/2006					67,694 ₅	4,116,472	
08/03/2006					2,856 ₅	173,673		
09/15/2006					62,428 ₅	3,796,247 (12)		
02/28/2007			579,906	63.4900	02/28/2017			
02/28/2007					83,022	5,048,568		
08/02/2007					5,112	310,861		
09/14/2007					37,030	2,251,794 (13)		
02/29/2008			480,783	66.1800	02/28/2018			
02/29/2008					137,367	8,353,287		
Clayton C. Daley, Jr.	02/26/1999	23,816		44.2656	02/26/2014			
	07/01/1999	5,894		43.2423	07/01/2014			
	07/09/1999	8,358		42.7329	07/09/2014			
	09/15/1999	88,580		49.4759	09/15/2014			
	07/10/2000	27,180		27.4459	07/10/2015			
	09/15/2000	204,964		31.0118	09/15/2015			

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09/24/2001	197,480	(1)	34.5688	09/24/2016			
09/13/2002	109,500		45.6625	09/13/2012			
02/27/2004	153,168		51.4150	02/27/2014			
09/15/2004					19,031	1,157,275	(4)
02/28/2005	149,268		53.5950	02/28/2015			
08/04/2005					2,492	151,539	
09/15/2005					14,040	853,772	(8)
12/01/2005					38,156	2,320,266	
02/28/2006			132,232	60.5000	02/28/2016		
08/03/2006					2,500	152,025	

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Name	Grant Date ¹	Option Awards			Stock Awards		
		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
Clayton C. Daley, Jr. (Cont.)	09/15/2006					11,775	716,038 (12)
	02/28/2007		163,806	63.4900	02/28/2017		
	08/02/2007					2,363	143,694
	09/14/2007					9,203	559,634 (14)
	02/29/2008		169,991	66.1800	02/28/2018		
	02/29/2008					16,190	984,514
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)		34.5688	09/24/2016		
	09/13/2002	98,550		45.6625	09/13/2012		
	02/27/2004	136,150		51.4150	02/27/2014		
	09/15/2004					14,024	852,799 (5)
	02/28/2005	135,274		53.5950	02/28/2015		
	08/04/2005					3,159	192,099
	09/15/2005					17,393	1,057,668 (9)
	12/01/2005					11,619	706,551
	02/28/2006		136,364	60.5000	02/28/2016		
	08/03/2006					2,865	174,221
	09/15/2006					13,372	813,151 (11)
	02/28/2007		157,506	63.4900	02/28/2017		
08/02/2007					2,510	152,633	
09/14/2007					10,434	634,492 (13)	
	02/29/2008		226,655	66.1800	02/28/2018		
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	1,614,019 (6)
	02/28/2005	158,597		53.5950	02/28/2015		
	08/04/2005					3,091	187,964
	09/15/2005					16,978	1,032,432 (7)
	12/01/2005					14,464	879,556
	02/28/2006		140,496	60.5000	02/28/2016		
	08/03/2006					2,803	170,450
	09/15/2006					13,057	793,996 (11)
	02/28/2007		160,656	63.4900	02/28/2017		
08/02/2007					2,456	149,349	
09/14/2007					10,192	619,776 (13)	

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		02/29/2008	264,431	66.1800	02/28/2018		
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					3,276	199,241
	09/15/2005		30,531	55.4050	09/15/2015		
	09/15/2005					13,968	849,394 (7)

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Name	Grant Date ¹	Option Awards				Stock Awards	
		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 (Cont.)	12/01/2005					20,720	1,259,983
	02/28/2006		103,306	60.5000	02/28/2016		
	05/01/2006					17,178	1,044,594
	08/03/2006					3,191	194,045
	09/15/2006		46,314	61.3250	09/15/2016		
	09/15/2006					11,452	696,396 (11)
	02/28/2007		118,129	63.4900	02/28/2017		
	08/02/2007					2,896	176,106
	09/14/2007					8,940	543,641 (13)
	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		

¹ On December 1, 2005, the Company converted all outstanding retirement restricted stock to RSUs that are deliverable in shares one year following retirement. The numbers contained in this table for December 1, 2005 reflect this conversion. They do not represent an incremental grant of stock awards on that date.

² The following provides details regarding the vesting date for each of the option grants included in the table. The Vest Date indicates the date the options become exercisable.

Grant Date		Vest Date		Option Awards		Grant Date		Vest Date	
	02/26/1999		02/26/2002				02/27/2004		02/27/2007
	07/01/1999		07/01/2002				09/15/2004		09/15/2007
	07/09/1999		07/09/2002				02/28/2005		02/28/2008
	09/15/1999		09/15/2002				09/15/2005		09/15/2008
	07/10/2000		07/10/2003				02/28/2006		02/28/2009
	09/15/2000		09/15/2003				09/15/2006		09/15/2009
(1)	09/24/2001		09/24/2004				02/28/2007		02/28/2010
(2)	09/24/2001		01/01/2005				09/14/2007		09/14/2010
	09/13/2002		09/13/2005				02/29/2008		02/28/2011
	09/15/2003		09/15/2006				05/09/2008		05/09/2011

³ Restricted Stock earns cash dividends that are paid quarterly. RSUs awarded pursuant to BGP, STAR, PST Restoration and IRP earn dividend equivalents which are accrued in the form of additional RSUs each quarter and credited to each Named Executive Officer's holdings. These RSUs have the same vesting restrictions as the underlying RSUs and are ultimately deliverable in shares. The following provides detail regarding the vesting date for Restricted Stock and RSU holdings included in the table. The Vest Date for RSUs indicates the date such units are deliverable in shares. The Vest Date for restricted stock indicates the date that restrictions lapse.

			Stock Awards	
	Grant Date	Vest Date	Grant Date	Vest Date
(3)	09/15/2004	09/15/2019	02/28/2006	2009 or as soon as practical after retirement; whichever is later
(4)	09/15/2004	One year following retirement	05/01/2006	05/01/2011
(5)	09/15/2004	Termination of employment	08/03/2006	One year following retirement
(6)	09/15/2004	09/15/2009	(11) 09/15/2006	09/15/2009
	08/04/2005	One year following retirement	(12) 09/15/2006	One year following retirement
(7)	09/15/2005	09/15/2008	02/28/2007	One year following retirement; no earlier than 02/28/2010
(8)	09/15/2005	One year following retirement	08/02/2007	One year following retirement
(9)	09/15/2005	Termination of employment	(13) 09/14/2007	09/14/2010
(10)	09/15/2005	09/15/2020	(14) 09/14/2007	One year following retirement
	12/01/2005	One year following retirement	02/29/2008	02/29/2013