

Testimony of Len Sauers, PhD  
Vice President Global Sustainability  
The Procter & Gamble Company

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Responsibility

Hearing on  
"Growing Long-Term Value: Corporate Environmental Responsibility and Innovation"  
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## **Introduction**

Chairman Udall, Ranking Member Alexander and members of the Committee, thank you for inviting me to testify today to discuss Procter & Gamble's sustainability program and its impact on the growth of our business.

I am the Vice President, Global Sustainability at Procter & Gamble and responsible for the company's sustainability efforts.

P&G serves approximately 4.4 billion people around the world with its brands. The company has one of the strongest portfolios of trusted, quality, consumer products brands including Pampers, Tide, Ariel, Always, Whisper, Pantene, Mach3, Bounty, Dawn, Fairy, Gain, Pringles, Charmin, Downy, Lenor, Iams, Crest, Oral-B, Duracell, Olay, Head & Shoulders, Wella, Gillette, Braun, Fusion, Ace, Febreze, Ambi Pur, SK-II, and Vicks. The P&G community includes operations in about 80 countries worldwide.

At P&G, we focus our sustainability efforts to innovate improvements that matter to the consumer. Our commitment begins with our Purpose where sustainability is embedded, and manifests itself in a systemic and long term approach. P&G's Purpose is to *touch and improve lives, now and for generations to come*. We don't make a profit so we can improve lives. We make a profit by improving lives. This inspires and guides everything we do. We strive to make our actions matter.

Our growth strategy is inspired by this Purpose. But we must reach and serve these consumers responsibly. It does not benefit our business to grow it today at the expense of tomorrow. Doing so fundamentally goes against our Purpose.

We define sustainability broadly. Sustainability is ensuring a better quality of life for everyone. This definition encompasses both environmental and social responsibility. Our approach to sustainability covers not only our total supply chain from raw materials to manufacturing, but also to the consumer and how we work in our communities.

We have built our sustainability program around five strategies:

- Delight the consumer with sustainable innovations that improve the environmental profile of our products.
- Improve the environmental profile of P&G's own operations.
- Improve children's lives through P&G's social responsibility programs.
- Engage and equip our employees to build sustainability thinking and practices into their everyday work.
- Shape the future by working transparently with our stakeholders to enable continued freedom to innovate in a responsible way.

In 2007, P&G established a series of five year sustainability goals in the area of product innovation, operations, and social responsibility.

Our product goal focuses on the development and marketing of at least \$50 billion in cumulative sales of "sustainable innovation products." These are products which

significantly reduce (> 10%) the environmental footprint versus previous or alternative products.

We continue to drive conservation efforts in manufacturing. We strive to reduce waste, water, energy and CO<sub>2</sub> through systematic conservation efforts. Our goal is to deliver an additional 20% reduction (per unit of production) in CO<sub>2</sub> emissions, energy consumption, water consumption and disposed waste from P&G plants, leading to a total reduction over the decade of at least 50%.

As we were nearing the end of our 5 commitments, in 2010 we announced a long term environmental sustainability vision which included the following elements:

- Powering our plants with 100% renewable energy
- Using 100% renewable materials or recycle for all products and packaging
- Zero consumer or manufacturing waste going to landfills
- Design products that delight consumers while maximizing the conservation of resources

Because it will take decades to achieve this vision, we established a series of specific 2020 goals to demonstrate we are making credible, incremental progress towards our vision. These goals include:

- Replace 25% of our petroleum based materials with sustainably sources renewable materials
- Change the way the consumers use energy in their wash cycle by achieving 70% of total machine wash loads in cold water
- Reduce packaging by 20% (per consumer use)
- Conduct pilot projects to better understand how to eliminate consumer and manufacturing waste going to landfill
- Power our operations with 30% renewable energy
- Reduce waste from manufacturing to < 0.5%
- Reduce truck kilometers (per unit volume) by 20%

### **Product Innovation**

When it comes to product innovation, P&G is focused on delighting what we call the “sustainable mainstream consumer.” This group is about three-quarters of consumers globally. Having made a substantial investment in understanding her or his beliefs, habits, and purchasing decisions, we have learned there are three critical elements: performance + price + sustainability. This consumer has told us they will not sacrifice performance or price for environmental benefits.

Beyond the consumer insights, solid science is at the heart of our strategy. Using a disciplined scientific approach can include a Life Cycle assessment of a product. This comprehensive assessment helps us identify the opportunities to improve the environmental impact of our products. We combine two key strengths – consumer understanding and science to deliver sustainable innovations that do not require trade-offs in performance or value.

One example is helping consumers save energy and reduce their own Green House Gas emissions through the development of sustainable products. We developed Tide Coldwater, a new product technology which focuses on cold water-washing, which delivers the same cleaning performance consumers expect from hot-water washing. If every household in the United States used cold water for laundry, the energy savings would be 33 billion kilowatt hours per year which is the equivalent use of electric consumption in 4.4 million households and represents ~4% of the target that had been proposed for the U.S. under Kyoto.

Another example of product innovation was the development of Downy Single Rinse. In many developing markets, consumers often wash their clothes by hand and have to rinse their clothing several times to remove the detergent. Downy Single Rinse is formulated to allow detergent removal with a single rinse. Not only does this save water, but also saves time as it eliminates multiple trips to their water source. Not only are they saving water, but also time. Since its launch in January 2008, 35 Billion liters of water have been saved.

We have also been focusing on replacing current petroleum based materials with renewable materials. Some of the research is done internally but we also partner externally through our Connect and Develop program <sup>(1)</sup>.

One example of our use of renewable materials is in Pantene Nature Fusion, which has piloted the use of plant-based plastic in its packaging. This innovative material made from sugarcane is a first for the mass hair care industry. It debuted in the Pantene Pro-V Nature Fusion collection in April 2011 in Western Europe and it expanded to North America in the fall 2011. The bottle (excluding cap) is made from up to **59%** plant-based plastic. Compared to traditional petroleum-based plastic, the fabrication process consumes over 70% less fossil fuels and the bottle can be recycled in traditional facilities.

### **Operational Improvements**

Within our operations we strive to innovate and leverage our scale to make meaningful improvements that reduced our waste, water, energy, and CO<sub>2</sub> footprint by 20% per unit of volume over a 5 year period.

P&G manufacturing operations are very efficient. Nearly 96% of all materials leave our facilities as finished product. Of the remaining 4%, three-quarters is recycled or reused. For the materials that are currently going to disposal, we have created a team to find creative uses for these wastes with the goal to reduce by 50% the amount currently disposed. As of today, over 20 of P&G's facilities are zero waste to landfill. And in 2010 our manufacturing facility in Maine became our first in North America to achieve this goal.

- (1) Connect & Develop is P&G's version of open innovation: the practice of accessing externally developed intellectual property and allowing internally developed assets and know-how to be used by others.

We are proactively expanding our portfolio of energy sources including solar, wind and geothermal in our plants where it makes business sense. One example is the installation of a roof-mounted photovoltaic solar energy system at our Oxnard, CA facility. Over 20 years, this system is estimated to produce enough electricity to power over 3,200 homes for a year. Another is the installation of heat exchange units that capture heat for reuse at our paper plant in Mehoopany, PA reducing carbon emissions by 13,600 metric tons per year and the energy savings will be greater than the per-site energy consumption at 80% of our other facilities around the world. Finally we designed eco-efficiencies at our new paper plant facility that was constructed in Box Elder County, Utah.

For decades, P&G has transported product in “multi-modal” fashion that is using multiple forms of transport. But today, we are shifting toward “intermodal” transportation, which uses shipping containers that transfer smoothly between modes. An intermodal approach optimizes the transportation process. We have incorporated an intermodal component in North America that has reduced transportation costs and improved sustainability, saving 11 million liters of diesel fuel annually.

### **Social Responsibility**

Our corporate cause, Live, Learn & Thrive focuses on helping children in need with essentials to live, opportunities to learn, and the skills to thrive. The cause is a reflection of our Purpose. It embodies our goal of being closer to consumers from all walks of life. Since the program's inception, we have assisted over 300 Million children.

Almost 1 billion people do not have access to safe drinking water. Half of all childhood mortality in developing countries is caused by unclean water. Four thousand children die every day from water related illnesses. That's about 1 every 20 seconds, and that's more than HIV/AIDS and malaria combined.

P&G, in collaboration with the US Center for Disease Control and Prevention, has developed a low-cost technology to purify heavily contaminated drinking water so that it meets World Health Organization (WHO) standards for safe drinking water.

To date, the Children's Safe Drinking Water program and its partners have provided more than 2.5 billion liters of safe drinking water... preventing an estimated 100 million days of waterborne illness and saving more than 13,000 lives.

### **Stakeholder Engagement**

While we are proud of the progress we have made, we know we will not be able to achieve our long term vision alone. We will need help from a wide variety of stakeholders and know that forming external partnerships will be important to enabling future progress.

To accelerate our environmental efforts, we have partnered with numerous organizations. For example, we have entered into a three year partnership with the World Wildlife Fund (WWF).

Through the US Department of Energy we participated in the Save Energy Now Program, which assisted in identifying ways to increase energy efficiency. We are also participating in EPA's Smartway program, which reduces transportation-related emissions by creating incentives to improve supply chain fuel efficiency.

In 2010, we issued our first supplier environmental sustainability scorecard. The scorecard was designed to encourage our suppliers' own improvements. The tool was intended to build better collaboration through the supply chain and accelerate innovation. In the first year, 38% of our suppliers who submitted a response to the scorecard, submitted ideas for sustainable innovation.

### **Conclusion**

Chairman Udall and Ranking Member Alexander, I thank you for this opportunity to testify today and to highlight P&G's sustainability program. Sustainability done right drives changes that matter. Our efforts in environmental sustainability are also right for our business. Last month we announced that over the past ten years our sustainability programs have led to nearly \$1 billion of bottom-line-savings. In order to truly fulfill our Purpose of touching and improving lives, we must continue to grow responsibly and sustainably. We know that we do not have all the answers, but we are committed to being part of the solution.