2003 Sustainability Report

Linking Opportunity with Responsibility

P&G

Sustainable development is a very simple idea. It is about ensuring a better quality of life for everyone, now and for generations to come.[1]

P&G's Statement of Purpose
We will provide branded products and services of superior quality and value that improve the lives of the world's consumers.

As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders, and the communities in which we live and work to prosper.

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This report was prepared using the Global Reporting Initiative's (GRI) July 2002 Sustainability Reporting Guidelines. The mission of the GRI is to promote international harmonization in the reporting of relevant and credible corporate economic, environmental, and social performance information to enhance responsible decision-making. The GRI pursues this mission through a multistakeholder process of open dialogue and collaboration in the design and implementation of widely applicable sustainability reporting guidelines. The GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein.

on the Web

For further information about the GRI, please visit: http://www.globalreporting.org

The GRI's Sustainability Reporting Guidelines were released in exposure draft form in London in March 1999. The GRI Guidelines represent the first global framework for comprehensive sustainability reporting, encompassing the "triple bottom line" of economic, environmental, and social issues. Twenty-one pilot test companies (including P&G), numerous other companies, and a diverse array of non-corporate stakeholders commented on the draft Guidelines during a 1999-2000 pilot test period. Revised Guidelines were released in June 2000, and again in July 2002.

on the Web

Please visit P&G's corporate Web site for the latest P&G news and shareholder and career information: http://www.pg.com

[1] Definition from U.K. government report from DETR (Department for the Environment, Transport and the Regions) – 1998.

Note: Years listed in this report's data charts signify the fiscal year ending June 30.

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CEO Statement

Responsibility
P&G operates with integrity everywhere we do business. P&G invests in every community where we live and work. P&G embraces its responsibilities as a corporate citizen. More specifically, P&G *people* embrace our responsibilities. We take them personally because they are a reflection of our individual values as well as those of our Company.

P&G's commitment to responsibility and integrity is part of everything we do.

- We have a responsibility to **consumers** to ensure P&G products are safe and will perform as promised.
- We have a responsibility to **P&G employees and their families** to provide a safe work place, to treat them with respect and integrity, and to deal with them in a fair and ethical manner every day.
- We have a responsibility to **business partners, suppliers, and trade customers** to deal with them openly and honestly.
- We have a responsibility to **communities and nations** where we do business to operate within the law, to bring global knowledge, practices, and experience, and to help make everyday life a little better.

We fulfill these responsibilities even when doing so is difficult or costly. For example, a customs official in a developing country once blocked the entry of our $250,000 raw material shipment until a payment of $5,000 was made. P&G's regional president did not hesitate to refuse the blatant extortion demand. We shut down the plant awaiting the shipment until the issue could be resolved. The plant remained closed for four months, until our appeal reached the country's president, who arranged for the shipment to be released. The cost to P&G's business of closing the plant far exceeded the cost of just paying the bribe, but the cost to P&G's reputation and values would have been far greater had we compromised the Company's integrity. We took a stand against bribery and corruption, which we saw as our responsibility to the nation, to consumers in that country, to shareholders, and to ourselves.

I don't want to leave the impression that P&G is perfect. No organization of 98,000 people – across varying languages, cultures, and backgrounds – should ever think that it cannot and does not make mistakes. When we become aware of those mistakes, we correct them and acknowledge them. But I can say with confidence that fair dealing and doing what's right for the long term are the norm at P&G. It's how we do business. Every day.

A. G. Lafley
Chairman of the Board,
President and Chief Executive

Vision

Rewards and Challenges

For the past 15 years, corporate environmental and sustainability reporting has measured companies' social responsibility in terms of what they eliminated: waste, emissions, discrimination, workplace safety risks, and so on. This focus has produced results, and remains relevant but not sufficient. The challenges we face, particularly in the developing world, demand more. Issues such as safe drinking water, child nutrition and development, sanitation, and waterborne disease require sustained, breakthrough innovation. Philanthropy and government aid alone can't fund the level of innovation that's needed. We need a next-generation solution – which, I'm pleased to report, P&G is helping to create.

We believe we and other companies can link business opportunity with corporate responsibility by making consumer products affordable to more people around the world. We aim to serve more consumers in developing countries – many of whom have never had access to products widely available in the developed world – with products that truly improve their quality of life. At the same time, we create market-based incentives for the level of innovation investment our world's toughest challenges require.

Real Rewards

For us, 2003 was a year of real progress toward this vision. We announced a new product that purifies and disinfects polluted drinking water at a retail cost of about *US$.01 per liter*. We designed and developed this product to reduce waterborne disease in the developing world. Clinical studies in Guatemala by the U.S. Centers for Disease Control, using P&G's product, showed that diarrhea in children was reduced 43 percent through clean drinking water. This is important because diarrhea is a leading cause of death among children in the developing world.

Measuring progress and success in this value-creation approach is straightforward. As a company, we use traditional business measures of sales, profit, and shipments. For society, our product shipments translate into liters of safe drinking water, the number of people who now have access to safe drinking water, and cases of diarrhea avoided. In effect, we have direct measures of P&G's contribution to the United Nations Millennium Development Goal to halve the number of people without access to safe drinking water. Last fiscal year, even with only a few small test and learning markets underway, P&G delivered more than 20 million liters of safe drinking water to rural and low-income consumers in the developing world.

Big Challenges

The key now is to make this new approach sustainable over time. We must:

- Create new businesses with sufficient scale to fund R&D and market development costs.
- Develop new business models appropriate to lower-income, developing-country markets.
- Lower costs to make products affordable in undeveloped markets that lack large-scale supply chain and distribution efficiencies that are normal in richer, developed markets.

These are significant challenges, but we're not alone in our efforts to overcome them. We are partnering creatively with small, local entrepreneurs, NGOs, intergovernmental organizations, and national governments that see the same rewards for society that we see. We are committed to linking business opportunity and corporate responsibility in ways that fulfill P&G's core purpose – to touch lives and improve life for people around the world.

George D. Carpenter
Director
Corporate Sustainable Development

Executive Summary

Executive Summary

Key Sustainability Focus Areas

At P&G, we proactively seek to bring together innovative ideas and resources to create new products and services that improve the quality of people's daily lives. Our key sustainability focus areas are:

- Water
- Health and Hygiene

Our actions are not just profit driven but also progress driven, to ensure a better quality of life for everyone, now and for generations to come. P&G is particularly well positioned to do this because we are in touch daily with the needs of the world's consumers.

Major Opportunities and Impacts Associated with Products and Services

Environmental Protection

- Water
- Resource Use
- Waste Reduction

Social Responsibility

- Health
- Hygiene
- Education

Economic Development

- Shareholder Value
- Employment
- Taxes, Fees, and Contributions

Financial Highlights

Amounts in millions except per-share amounts	**2003**	2002	2001
Net Sales	**$43,377**	$40,238	$39,244
Net Earnings	**5,186**	4,352	2,922
Basic Net Earnings Per Common Share	**3.90**	3.26	2.15

Philanthropic Contributions

P&G and its employees have a long-standing commitment to being good citizens and neighbors in all places where we do business around the world. We believe we have a responsibility to use our resources – money, people, and energy – wisely. We show our commitment through financial support and volunteerism in a wide range of educational, health, social service, cultural, civic, and environmental organizations to benefit society.

Global philanthropic contributions made by The P&G Fund and Corporate Contributions for the past three years are provided in the following table:

	2003	2002	2001
Total	**$84,572,906**	$77,746,930	Not Available

Diversity Data – Global Enrollment

P&G continues to focus on diversity as a global strategy and expects its workforce to become increasingly more diverse. Global data on enrollment by gender is shown in the following table:

Global Enrollment % Female	**2003**	2002
Management	**35.5**	34.6
All Other Employees[1]	**37.1**	41.6

[1] The category of "All Other Employees" continues to be an evolving global database as more of P&G's plants are included.

The percentages of minority and female employees in the United States are shown in the following table:

	2003	2002	2001
% Minorities			
Management	**18.0**	16.1	15.8
All Other Employees[2]	**19.8**	20.3	18.1
% Female			
Management	**34.8**	34.4	34.1
All Other Employees[2]	**38.7**	38.0	38.8

[2] Administrative, Technical, and Plant Technicians

Occupational Health & Safety Data

Past three years' global data on two key metrics for worker health and safety:

Total Incident Rate
Injury and illness per 100 employees

	2003	2002	2001
Total	**0.54**	0.67	0.69

Total Lost Workday Case Rate
Lost and restricted workday cases per 100 employees

	2003	2002	2001
Total	**0.22**	0.27	0.24

Summary of Violations and Interventions

The following table lists global data on environmental, transportation, and worker health and safety violations and interventions.

	2003	2002	2001
Number	**67**	45	63
Fines	**$154,756**	$39,026	$77,070

Both fines and Notices of Violations (NOVs) have increased this year. Two incidents account for almost 80 percent of the fines. Both were related to recordkeeping. Procedures have been reinforced to provide more effective monitoring.

Manufacturing Resource & Waste Summary by Global Business Unit (GBU)

All units are in thousands of metric tonnes unless otherwise noted.†	Totals			2003 Global Business Unit Detail*				
	2003	2002	2001	**BFC**	**FHC**	**BC**	**HC**	**SB**
Production								
Product Shipped	**17,055**	16,151	15,808	3,503	9,178	1,573	1,218	1,583
Raw Materials from Recycled Sources	**119**	208	208	119	0	0	0	0
Waste								
Generated Waste	**794**	798	910	428	124	164	43	35
Percent Recycled / Reused Waste	**52%**	54%	51%	48%	57%	60%	47%	36%
Disposed Waste								
Solid Waste								
Non-Hazardous	**317**	304	376	204	40	40	16	17
Hazardous	**9**	19	13	1.3	4.6	1.9	1.1	0
Effluents (Excluding Water)	**35**	23	36	4.4	6.0	19.8	1.1	3.7
Air Emissions**	**24**	20	15	11.2	2.9	3.4	4.8	1.1
Other								
Energy Consumption (10^5 GJ)¶	**758**	706	717	487	135	66	40	30
Greenhouse Gas Emissions** ¶	**3,122**	3,148	3,092	2,198	444	298	113	69
Water Consumption (million cubic meters)	**85**	85	88	55	13	13	2	3
SARA Releases (metric tonnes)***	**1,567**	1,274	1,722	41	1,008	102	416	0

† 1 metric tonne = 1,000 kg = 2,205 lbs.
* BFC = Baby & Family Care; FHC = Fabric & Home Care; BC = Beauty Care; HC = Health Care; SB = Snacks & Beverages
** Air emissions include particulates, SO_2, NOx, CO, and VOC whereas greenhouse gas emissions include CO_2 from fuel combustion sources.
*** Releases defined in the U.S. Superfund Amendments and Reauthorization Act (SARA) by the U.S. Environmental Protection Agency.
¶ Energy use and greenhouse gas emissions have been restated using conversion units recommended by the U.S. Department of Energy in its 1605 reporting initiative. The major change was in the conversion of electricity from kilowatt hours to gigajoules (GJ). Actual energy use didn't change. The greenhouse gas emission factors changed slightly.

P&G Profile

P&G Profile

For 165 years, P&G has been providing trusted, high-quality brands that make every day better for the world's consumers. The Company markets nearly 300 products – including Pampers, Tide, Ariel, Always, Whisper, Pantene, Bounty, Pringles, Folgers, Charmin, Downy, Lenor, Iams, Crest, Actonel, Olay, and Clairol – in more than 160 countries around the world.

P&G's worldwide headquarters is located in Cincinnati, Ohio, USA. The Company has on-the-ground operations in almost 80 countries worldwide and employs nearly 98,000 people.

P&G is a publicly owned company. Its stock is listed and traded on the following exchanges: New York, Cincinnati, Amsterdam, Paris, Basle, Geneva, Lausanne, Zurich, Frankfurt, Brussels, and Tokyo.

As of August 1, 2003, there were approximately 1,234,000 common stock shareholders, including shareholders of record, participants in the Shareholder Investment Program, participants in P&G stock ownership plans, and beneficial owners with accounts at banks and brokerage firms.

This is the fifth Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 2002, through June 30, 2003. Last year's report covers the July 1, 2001, through June 30, 2002, time period. Financial information is given in U.S. dollars.

For more information on P&G's investor relations, please visit our Web site at: http://www.pg.com/investors/sectionmain.jhtml

Please visit http://www.pg.com for the latest news and in-depth information about P&G and its brands.

Key Brands

Of P&G's almost 300 brands around the world, these are the ones we consider our key brands.

Global Business Unit	Product Lines	Key Brands
Fabric & Home Care	Laundry detergent, fabric conditioners, dish care, household cleaners, fabric refreshers, bleach, and care for special fabrics	Tide, Ariel, Downy, Lenor, Dawn, Fairy, Joy, Gain, Ace Laundry and Bleach, Swiffer, Bold, Cascade, Dash, Cheer, Bounce, Febreze, Mr. Clean/Proper, Era, Bonux, Dreft, Daz, Vizir, Flash, Salvo, Viakal, Rindex, Alomatik, Dryel, Myth, Maestro Limpio, Ivory Dish, Hi Wash, Lang
Beauty Care	Hair care/hair color, skin care and cleansing, cosmetics, fragrances, and antiperspirants/deodorants	Pantene, Olay, Head & Shoulders, Cover Girl, Clairol's Herbal Essences, Nice 'n Easy, Natural Instincts and Hydrience, SK-II, Max Factor, Hugo Boss, Secret, Zest, Old Spice, Safeguard, Rejoice, Vidal Sassoon, Pert, Ivory Personal Care, Aussie, Lacoste, Infusion 23, Noxzema, Camay, Sure, Physique, Infasil, Laura Biagiotti, Muse, Wash & Go, Giorgio, Mum
	Feminine protection pads, tampons, and pantiliners	Always, Whisper, Tampax, Lines Feminine Care, Naturella, Evax, Ausonia, Orkid
Baby & Family Care	Baby diapers, baby and toddler wipes, baby bibs, baby change and bed mats	Pampers, Luvs, Kandoo, Dodot
	Paper towels, toilet tissue, and facial tissue	Charmin, Bounty, Puffs, Tempo, Codi
Health Care	Oral care, pet health and nutrition, pharmaceuticals, and personal health care	Crest, Iams, Eukanuba, Vicks, Actonel, Asacol, Metamucil, Fixodent, PuR, Scope, Pepto-Bismol, Macrobid, Didronel, ThermaCare
Snacks & Beverages	Snacks and beverages	Pringles, Folgers, Millstone, Torengos, Sunny Delight, Punica

Building for the Future

William Procter and James Gamble, Founders, Candle & Soap Business

$1 Million Net Sales

Regional U.S. Markets

1837 1840 1850 1860 1870

P&G's Billion-Dollar Brands

Iams
Iams and Eukanuba provide dogs and cats with superior nutrition.

Charmin
People love to squeeze soft Charmin toilet tissue.

Pantene
Hair around the world shines because of Pantene hair care products.

Tide
Tide's tough cleaning power gets out laundry stains.

Olay
Women "love the skin they're in" because Olay keeps it looking younger.

Always/Whisper
Women around the world count on Always or Whisper feminine protection.

Folgers
Millions of Americans wake up with Folgers coffee every day.

Crest
Crest oral care products bring beautiful, healthy smiles to millions of faces.

Bounty
Millions of households use Bounty paper towels as the Quicker Picker-Upper.

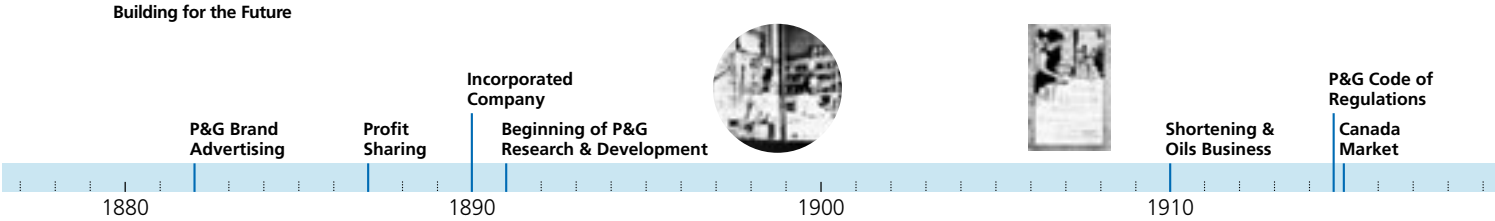
Pringles
With Pringles potato chips, once you "pop" one into your mouth, you can't stop.

Pampers
Millions of babies experience the comfort and dryness of Pampers diapers.

Ariel
Many millions of clothing items come clean with Ariel every day.

Downy/Lenor
Laundry feels soft and smells good because of Downy and Lenor.

Building for the Future



Organizational Structure

P&G's organizational structure makes it easy for innovation to flow across the enterprise and around the world, to learn about consumer needs as early as possible, and to commercialize the best ideas and innovations profitably and quickly. We designed our organization to be global and local at the same time. This may seem like a paradox, but we believe that meeting this challenge is key to our success.

P&G is organized by Global Business Units (GBUs) that manufacture and market our products. GBUs are responsible for spreading product innovations across the Company's product categories and geographic markets.

- Fabric & Home Care includes products for laundry, dishwashing, fabric enhancement, and cleaning hard surfaces
- Baby & Family Care focuses on paper-based products – tissues, towels, diapers, and baby wipes
- Beauty Care includes cosmetics, hair care products, deodorants, feminine hygiene products, and fragrances
- Health Care includes pharmaceuticals and products for personal health care, oral care, and pet health and nutrition
- Snacks & Beverages products include coffee, juice, and potato chips, as well as products for use in commercial establishments

P&G's four core categories – Fabric Care, Hair Care, Baby Care, and Feminine Care – account for nearly 50% of sales and an even greater percentage of profit.

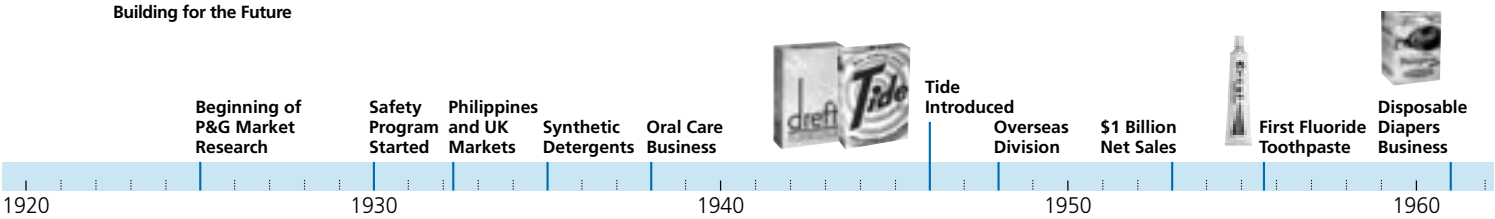
In addition to GBUs based on product lines, P&G also has Market Development Organizations (MDOs), which are organized by geography. MDOs move initiatives to local markets faster, more creatively, and at less cost. They tailor the Company's global programs to local markets and use their knowledge of local consumers and retailers to help P&G develop market strategies to guide the entire business.

Both the Corporate Functions and Global Business Services organizations leverage our size to deliver better-quality services internally, at significantly lower cost.

Corporate Functions covers two main focus areas: 1) upstream research and development working with new, cutting-edge knowledge, and 2) corporate needs not covered by GBUs or MDOs, such as corporate human resources and corporate external relations, as well as the sales effort called Customer Business Development.

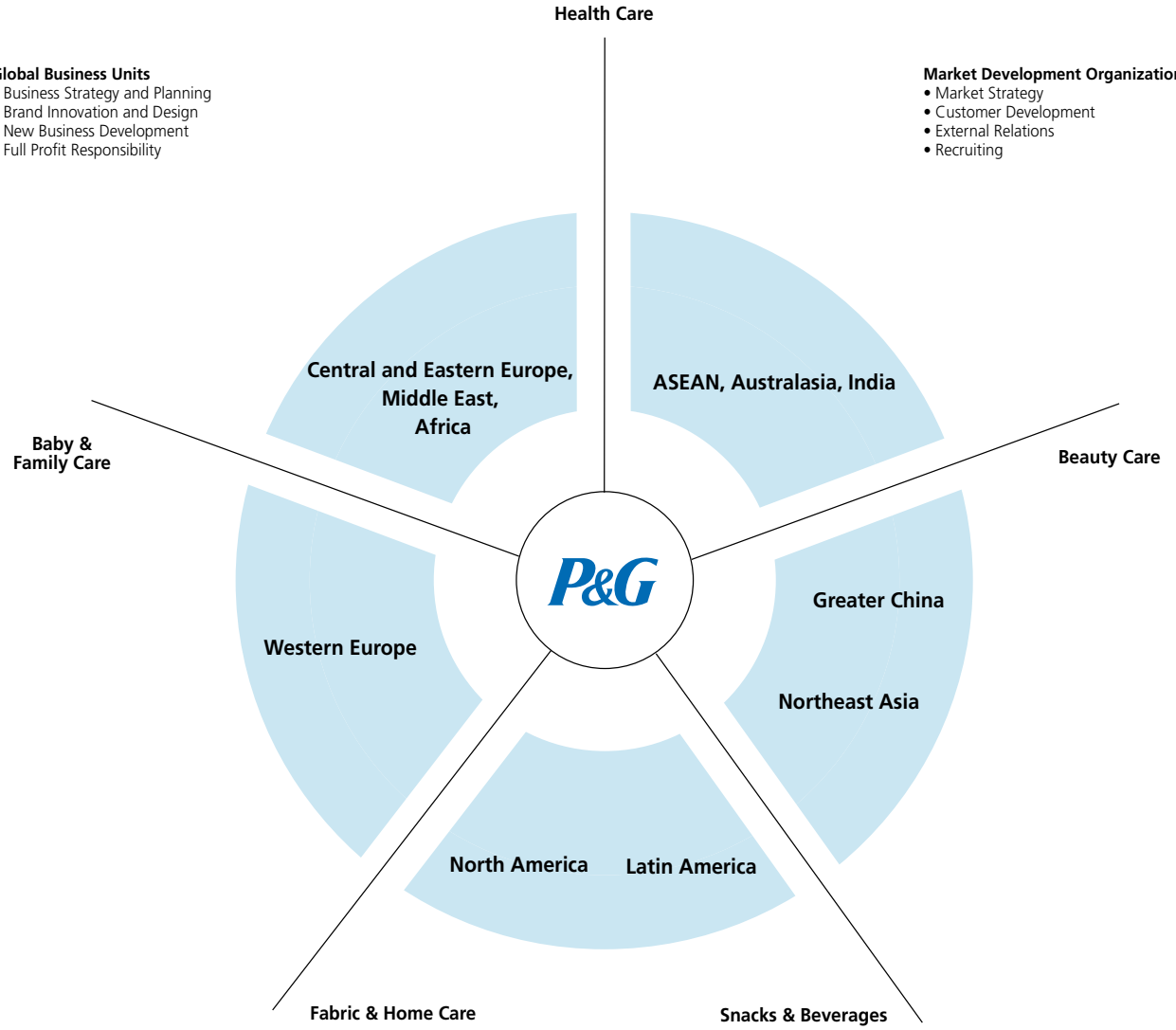
Global Business Services provides support services to P&G business units and to P&G employees. These services include accounting and financial reporting, information technology, purchases, employee services such as payroll and benefits administration, and workplace services, including facilities management. P&G is in the process of outsourcing some of these services (see page 15).

Building for the Future



Global Business Units
- Business Strategy and Planning
- Brand Innovation and Design
- New Business Development
- Full Profit Responsibility

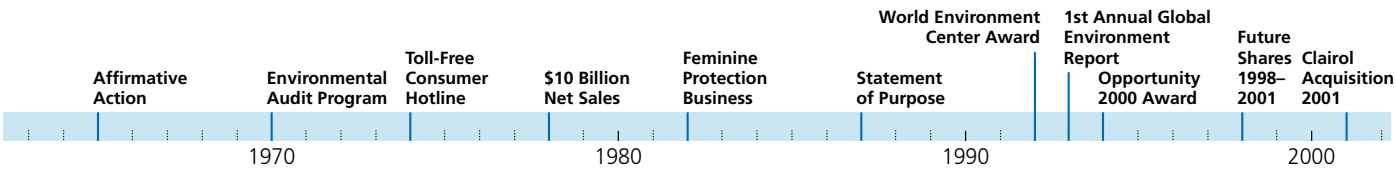
Market Development Organizations
- Market Strategy
- Customer Development
- External Relations
- Recruiting



Corporate Functions
- Cutting-Edge Knowledge
- Transfer Best Practices
- Function Work Supporting P&G Corporation

Global Business Services
Key Business Processes
- Accounting
- Info and Technology Services
- Order Management
- Employee Benefits & Payroll

Building for the Future



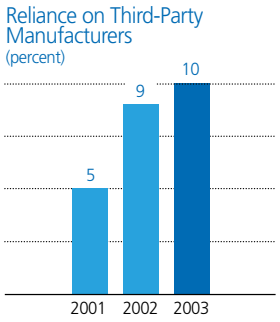
Plant Locations

Plant Name	City	Country	GBU Owner
Akashi	Akashi	Japan	Baby & Family Care
Albany	Albany	United States	Baby & Family Care
Alexandria	Pineville	United States	Fabric & Home Care
Amiens	Amiens	France	Fabric & Home Care
Anaheim	Anaheim	United States	Snacks & Beverages
Anchieta	Anchieta	Brazil	Fabric & Home Care
Apizaco	Apizaco	Mexico	Baby & Family Care
Atlanta	Atlanta	United States	Snacks & Beverages
Auburn	Auburn	United States	Beauty Care
Augusta	Augusta	United States	Fabric & Home Care
Aurora	Aurora	United States	Health Care
Avenel	Avenel	United States	Fabric & Home Care
Bangkok	Bangkok	Thailand	Beauty Care
Barquisimeto	Barquisimeto	Venezuela	Fabric & Home Care
Beijing	Beijing	China	Fabric & Home Care
Beirut	Beirut	Lebanon	Fabric & Home Care
Bekasi	Jakarta	Indonesia	Health Care
Belleville	Belleville	Canada	Beauty Care
Binh Duong	Binh Duong	Vietnam	Fabric & Home Care
Blois	Blois	France	Beauty Care
Borispol	Borispol	Ukraine	Beauty Care
Brockville	Brockville	Canada	Fabric & Home Care
Budapest	Csomor	Hungary	Beauty Care
Cabuyao	Cabuyao	Philippines	Fabric & Home Care
Cairo	Cairo	Egypt	Fabric & Home Care
Campochiaro	Campochiaro	Italy	Fabric & Home Care
Cape Girardeau	Cape Girardeau	United States	Baby & Family Care
Casablanca	Casablanca	Morocco	Fabric & Home Care
Cayey	Cayey	Puerto Rico	Beauty Care
Chengdu	Chengdu	China	Fabric & Home Care
Ching-Shui	Ching-Shui	Taiwan	Baby & Family Care
Chochiwon	Chochiwon	Korea	Baby & Family Care
Chonan	Ch'onan	Korea	Beauty Care
Cincinnati	Cincinnati	United States	Fabric & Home Care
Coevorden	Coevorden	Netherlands	Health Care
Crailsheim	Crailsheim	Germany	Beauty Care
Dammam	Dammam	Saudi Arabia	Fabric & Home Care
Dover	Dover	United States	Baby & Family Care
Escuintla	Escuintla	Guatemala	Fabric & Home Care
Euskirchen	Euskirchen	Germany	Baby & Family Care
Gattatico	Gattatico	Italy	Fabric & Home Care
Gebze	Gebze	Turkey	Beauty Care
Goa	Goa	India	Health Care
Green Bay	Green Bay	United States	Baby & Family Care
Greensboro	Greensboro	United States	Health Care
Gross-Gerau	Gross-Gerau	Germany	Health Care
Guatire	Guatire, Miranda	Venezuela	Baby & Family Care
Hamburg	Hamburg	Germany	Snacks & Beverages
Havant	Havant	United Kingdom	Beauty Care
Heartland	North Sioux City	United States	Health Care
Henderson	Henderson	United States	Health Care
Huangpu	Guangzhou	China	Beauty Care
Hub	Karachi	Pakistan	Beauty Care
Hunt Valley	Cockeysville	United States	Beauty Care
Ibadan	Ibadan	Nigeria	Beauty Care
Iowa City	Iowa City	United States	Beauty Care
Istanbul	Istanbul	Turkey	Fabric & Home Care
Jackson	Jackson	United States	Snacks & Beverages
Jeddah	Jeddah	Saudi Arabia	Baby & Family Care
Jijona	Alicante	Spain	Baby & Family Care
Kansas City Coffee	Kansas City	United States	Snacks & Beverages
Kansas City F&HC	Kansas City	United States	Fabric & Home Care
Kuantan	Kuantan	Malaysia	Fabric & Home Care
Leipsic	Leipsic	United States	Health Care
Lewisburg	Lewisburg	United States	Health Care
Lima	Lima	United States	Fabric & Home Care
London	London	United Kingdom	Fabric & Home Care
Longjumeau	Longjumeau	France	Health Care
Louveira	Sao Paulo	Brazil	Beauty Care
Lucca	Lucca	Italy	Baby & Family Care
Manati	Manati	Puerto Rico	Health Care
Manchester	Manchester	United Kingdom	Baby & Family Care
Mandideep	Bhopal	India	Fabric & Home Care
Mariscala	Apaseo El Grande	Mexico	Beauty Care
Mataro	Mataro	Spain	Fabric & Home Care
Materiales	Lima	Peru	Fabric & Home Care
Mechelen	Mechelen	Belgium	Fabric & Home Care
Medellin	Medellin	Colombia	Fabric & Home Care
Mehoopany	Mehoopany	United States	Baby & Family Care
Mequinenza	Mequinenza	Spain	Baby & Family Care
Mohammedia	Mohammedia	Morocco	Fabric & Home Care
Montornes	Salida	Spain	Beauty Care
Naucalpan	Mexico City	Mexico	Health Care
Nenagh	Nenagh	Ireland	Beauty Care
Neuss	Neuss	Germany	Baby & Family Care
New Orleans	New Orleans	United States	Snacks & Beverages
Novomoskovsk	Novomoskovsk	Russia	Fabric & Home Care
Orleans	Saint Cyr En Val	France	Baby & Family Care
Osan	Osan	Korea	Baby & Family Care
Oxnard	Oxnard	United States	Baby & Family Care
Pescara	Pescara	Italy	Beauty Care
Phoenix	Phoenix	United States	Health Care
Pilar	Pilar	Argentina	Fabric & Home Care
Pomezia	Rome	Italy	Fabric & Home Care
Porto	Custoias	Portugal	Fabric & Home Care
PuR	Minneapolis	United States	Health Care
Rakona	Rakovnik	Czech Republic	Fabric & Home Care
Rydalmere (Clairol)	Sydney	Australia	Beauty Care
Sacramento	Sacramento	United States	Fabric & Home Care
Santiago	Santiago	Chile	Baby & Family Care
Seaton Delaval	Whitley Bay	United Kingdom	Beauty Care
Sherman	Sherman	United States	Snacks & Beverages
Shiga	Shiga	Japan	Beauty Care
South Brunswick	Dayton	United States	Snacks & Beverages
St. Louis	St. Louis	United States	Fabric & Home Care
Stamford (Clairol)	Stamford	United States	Beauty Care
Takasaki	Takasaki	Japan	Fabric & Home Care
Talisman	Mexico City	Mexico	Beauty Care
Targowek	Warsaw	Poland	Baby & Family Care
Tepeji	Tepeji	Mexico	Baby & Family Care
Tianjin	Tianjin	China	Beauty Care
Timisoara	Timisoara	Romania	Fabric & Home Care
Vallejo	Mexico City	Mexico	Fabric & Home Care
Villa Mercedes	Villa Mercedes	Argentina	Baby & Family Care
Weiterstadt	Weiterstadt	Germany	Health Care
Witzenhausen	Witzenhausen	Germany	Baby & Family Care
Worms	Worms	Germany	Fabric & Home Care
Xiqing	Tianjin	China	Beauty Care

Note: Data as of June 12, 2003

Manufacturing Outsourcing

Most of our products are produced or assembled in P&G-owned facilities. However, we rely on third-party manufacturers for about 10 percent of our total manufactured volume. This has increased during the past few years, and we will continue to evaluate third-party manufacturers for our products in the future.



Financial Information

The Company reported net earnings of $5.19 billion for the fiscal year ended June 30, 2003, an increase of 19 percent compared to $4.35 billion in 2002. Results included a charge of $538 million in 2003 and $706 million in 2002, related to the Company's restructuring program.

Diluted net earnings per share were $3.69 in 2003, compared to $3.09 in 2002, and $2.07 in 2001, including the restructuring charge impact of $0.39, $0.50, and $1.05 per share, respectively.

Net sales were $43.38 billion in 2003, up 8 percent from last year.

Common share dividends were $1.64 per share in 2003. For the coming year, dividends will increase to $1.82 per common share, marking the 48th consecutive year of increased common share dividend payments.

Financial Highlights

Amounts in millions except per-share amounts	**2003**	2002	2001
Net Sales	**$43,377**	$40,238	$39,244
Marketing, Research, & Administrative Expenses	**13,383**	12,571	12,406
Income Taxes	**2,344**	2,031	1,694
Net Earnings	**5,186**	4,352	2,922
Basic Net Earnings Per Common Share	**3.90**	3.26	2.15
Total Assets	**43,706**	40,776	34,387
Long-Term Debt	**11,475**	11,201	9,792
Shareholders' Equity	**16,186**	13,706	12,010

As part of P&G's initiative to optimize resources to fit a growing global business and to accelerate innovation and growth, the Company operates its business through Global Business Units (GBUs), as described on page 10.

- Fabric & Home Care
- Beauty Care
- Baby & Family Care
- Health Care
- Snacks & Beverages

This organizational structure accounts for why P&G does not provide employee data, sales, or profits by country. Some countries may provide this data in reports other than this one.

Net Sales by Global Business Units

Amounts in billions	**2003**	2002	2001
Fabric & Home Care	**12.6**	11.6	11.7
Beauty Care	**12.2**	10.7	10.0
Baby & Family Care	**9.9**	9.2	9.2
Health Care	**5.8**	5.0	4.4
Snacks & Beverages	**3.2**	3.2	3.5
Corporate	**(.3)**	.4	.5
Total	**43.4**	40.2	39.2

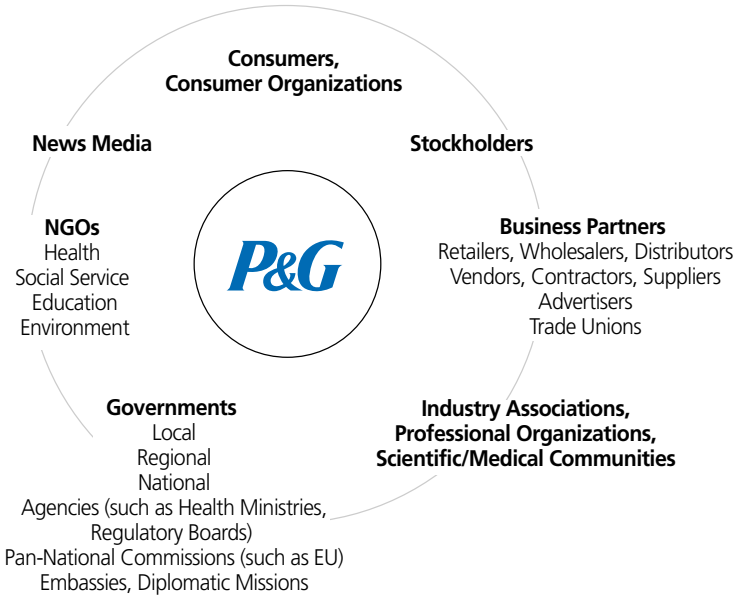
For more financial details, please see P&G's 2003 Annual Report:

http://www.pg.com/investors/financial_reports/annualreports.jhtml

Stakeholders

The people whose services directly power P&G's daily activities and long-term growth – the Company's employees and its Board of Directors – are its internal stakeholders.

There are many other people and organizations who have relationships with P&G, though they do not work directly for the Company. They may have an interest in Company products and activities, or they may derive income by doing business with the Company. These are the external stakeholders.



Major Acquisitions

Acquisitions accounted for as purchases in 2002-2003 totaled less than $61 million.

Wella

In March 2003, the Company entered into an agreement to acquire a controlling interest in Wella AG from the majority shareholders and in June 2003, the Company completed a tender offer for the remaining outstanding voting class shares and preference shares.

P&G completed the acquisition of a controlling interest in Wella AG in September 2003. As a result of these purchases, the Company acquired approximately 81 percent of the outstanding Wella shares (99 percent of the voting class shares and 45 percent of the preference shares).

Wella AG is a leading beauty care company focused on professional hair care, retail hair care, and cosmetics and fragrances, with products selling in more than 150 countries.

Major Divestitures

Proceeds from the divestiture of certain non-strategic brands and other asset sales generated $143 million in cash flow in the current year. Some of these divestitures included:

- Miscellaneous small Clairol brands in North America
- Vicks Throat Drops in Japan
- Plant Sales

Plant Divestitures and Closings

P&G's oldest plant, known as the Ivorydale bar soap plant, in Cincinnati, Ohio, has been sold to Trillium Healthcare Products Inc. Most of Ivorydale's workforce have become Trillium employees and continue making bar soap for P&G. Several dozen workers took severance packages or moved to other jobs at P&G. The facial cloth production transferred to P&G-Belleville, Canada.

Restructuring

In 1999, concurrent with a reorganization of its operations into product-based Global Business Units, the Company initiated a multi-year restructuring program. The program is designed to accelerate growth and deliver cost reductions by streamlining management decision-making, manufacturing, and other work processes, and by discontinuing under-performing businesses and initiatives.

The program was substantially complete at the end of fiscal 2003. The Company will continue to undertake projects to maintain a competitive cost structure, including manufacturing consolidation, and workforce rationalization, as a part of its normal operations.

Approximately 21,600 separation packages have been provided through June 30, 2003. While all geographies and businesses are impacted by the enrollment reduction programs, a higher number of U.S. employees are affected, given the concentration of operations. The changes in net enrollment for the Company are different from the total separations, as terminations have been offset by increased enrollment costs, acquisitions, and other impacts.

Outsourcing

- P&G and HP (Hewlett-Packard) signed a 10-year, $3 billion contract under which HP Services will manage P&G's IT infrastructure, data center operations, desktop and end-user support, network management, applications development, and maintenance. This affects P&G's operations in 160 countries. Approximately 2,000 P&G employees in 48 countries – mostly from P&G's Global Business Services unit – will transition to HP.

- P&G signed a 5-year, $700 million contract with Jones Lang LaSalle to provide facilities management and project management for all P&G offices and technical facilities around the world. Responsibility covers 60 countries on six continents. Nearly 600 employees from P&G's Global Business Services unit are transitioning to Jones Lang LaSalle.

Awards and Recognitions

P&G annually receives recognition for its work, its character, its brands, and for community contributions. We are highlighting a few and listing the others.

The National Multiple Sclerosis Society has named P&G its Employer of the Year.

P&G is recognized for its U.S. efforts to hire and support staff with disabilities. For example, P&G exceeded federal requirements by providing handicapped-accessible washrooms on every floor, plus power door openers at main entrances. In addition, P&G has created an Americans with Disabilities Act task force to help identify policies that need to be added or changed to improve workplace accessibility for handicapped employees. Policies were created regarding office size and to accommodate service animals and personal attendants for employees who travel.

on the Web

For more information on the Multiple Sclerosis Society, please visit: http://www.nmss.org/

Joel Kahn, a 28-year P&G veteran in the United States, has been named to the National Council on Disability, a position requiring U.S. Senate confirmation. The independent federal agency makes recommendations to the President and Congress on disability policy issues. Kahn is also a member of P&G's Americans with Disabilities Act task force and was named the National Multiple Sclerosis Father of the Year in 1991.

P&G Canada Wins Several Reader's Digest Most Trusted Brand Awards

A 2002 national Reader's Digest poll conducted by Ipsos-Reid determined that the following 16 P&G brands were voted Most Trusted by Canadians: Tide, Pampers, Cover Girl, Olay, Pepto-Bismol, Crest, Iams, Bounty, Pantene, Herbal Essences, Clairol, Head & Shoulders, Tampax, Always, Mr. Clean, and Cascade.

U.K. Recognized for Excellence in Consumer Service

P&G ranked as "Best Complaint Handling Organization" this year in the U.K.'s National Consumer Service Awards, being compared to more than 100 other companies.

P&G's U.K. Consumer Relations organization strives to have an expert answer all consumer calls within 30 seconds. These Consumer Relations experts are thoroughly trained and can find answers to virtually all questions about P&G products.

Annual surveys confirm that more than 95 percent of consumers are satisfied with the way their contact with U.K. Consumer Relations is handled, and nine out of ten U.K. P&G consumers continue to buy and use P&G products.

P&G Chile Recognized for Human Resources Policies

P&G has been working toward becoming a leader in Chile in the field of human resources strategies, particularly regarding women. The Company has been implementing bold, innovative, progressive policies and encouraging other companies to do the same.

P&G Chile goes well beyond legal requirements and customary practices. For example, it has:

- Reduced its workweek from 45 to 40 hours (compared to Chile's usual 48-hour workweek)
- Adopted flexible lunch and working hours
- Allowed mothers to work part-time for a year after their babies are born

Company representatives speak at HR and diversity conferences about these changes and how they have increased productivity and morale.

In August 2002, P&G was rated No.1 in Chile's "Best Place to Work" survey, compiled from a poll of 28,000 workers and information from 4,500 companies. The survey measured credibility, respect, benefits, communication systems, etc.

In May 2003, P&G Chile was named one of the "5 Best Companies for Working Mothers" by Fundación Chile Unido and *Ya* Magazine. Eighty companies participated in a survey of flexibility, promotion of women, child care policies, employee benefits, employee services, and company culture.

P&G and UNICEF Partnership in Family Health Recognized

P&G and UNICEF have a long history of partnership in education, nutrition, health, and water issues. In 2002, the partnership's programs for improving family health and development were recognized at the World Summit Business Awards for Sustainable Development Partnerships.

In this award program, organized by the International Chamber of Commerce and the United Nations Environment Programme, there were nominations of 120 partnerships in more than 35 countries. The top 10 programs received awards, and the P&G and UNICEF partnership was one of an additional 18 partnerships recognized for their contributions to sustainable development.

Over the past several years, P&G and UNICEF have worked together in more than two dozen countries on five continents. These partnerships have helped improve living conditions for millions of children and their families. Programs have ranged from providing tuberculosis vaccinations to more than 8 million people in Senegal, to supporting education programs for 190,000 children in Vietnam, to providing water and sanitation facilities to more than 32,000 people in the Philippines.

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more info

For full details, please click here.

04 Member of Dow Jones Sustainability Indexes

Corporate Awards

- Awladi NGO Gives P&G Egypt Certificate of Appreciation for Assistance with Building of Orphanages
- *Business Ethics* Magazine Ranks P&G 4th in Top 100 Corporate Citizens. P&G has ranked in the top 10 during all four years the list has been published.
- Center for Development and Population Activities (CEDPA) Recognizes P&G Egypt for Improving the Lives of Women and Children
- Cosmetic/Personal Care (CPC) Rates P&G 2002 Packager of the Year for Innovative Packaging Design
- CSRNetwork, a U.K.-Based Consultancy, Ranks P&G's 2002 Sustainability Report 8th Among the World's Largest 100 Companies
- Dow Jones Rates P&G Market Sector Leader for 3rd Year
- *Fortune* Magazine Rates P&G 7th on Global Most Admired Companies List
- Jackson, Tennessee, Plant Wins International Award for Total Productive Maintenance (TPM) Excellence from Japan Institute of Plant Maintenance (JIPM)
- National Multiple Sclerosis Society Names P&G Cincinnati Employer of the Year in Recognition of P&G's Commitment to People with Special Needs
- P&G Argentina Receives #17 in Image Ranking by *Apertura* Magazine
- P&G Augusta, Georgia, Plant Receives Nomination as Manufacturer of the Year from the State of Georgia
- P&G Consumer Relations in Russia Named Best by Expertiza Consumer Broadcast
- P&G Costa Rica Wins Best Exporter Award from Exporters Chamber of Costa Rica (CADEXCO)
- P&G Italy's Dash Missione Bontà Campaign Receives Significant Industry and Trade Ethic Award from *GDO Week*, a Leading Trade Publication
- P&G Korea Nominated for Award of Corporate Excellence (winner to be announced by September 2003)
- P&G Poland Receives Special Commemorative Medal for Continuous Support of Special Olympics Program
- P&G Turkey Chosen as Most Admired Cleaning Products/Chemical Industry Company of 2002 by *Capital* Magazine
- P&G USA Visual Communications Design Wins Its 3rd Telly Award, the Corporate Industry's Counterpart of the Academy Awards Oscar
- P&G Venezuela Recognized as Most Outstanding Personal Care Company by *P&M*, Venezuela's Top Marketing and Advertising Magazine
- PG.com Named Best Corporate Web Site by Best Practices in Corporate Communications, a Consulting Company Specializing in Communication Solutions
- Pomezia, Italy, Plant Wins International Factory Award Endorsed by Italian Industry Ministry
- Society of Toxicology Recognizes P&G for Best Paper on Toxicogenomics
- *Start* Magazine Gives P&G 2002 Technology & Business Award in Consumer Goods Category for Innovative Technology
- Storebrand Gives P&G Best In Class for Environmental and Social Performance
- World Summit for Sustainable Development Recognizes P&G for Sustainable Development Partnerships

Brand Awards

- Ariel Wins 3rd Place in Israel EFFIE Awards
- Blend-a-Med, Shamtu, and Pantene Receive Top Honors at Best Brand/EFFIE Awards in Russia
- Clairol and Pampers Sensitive Wipes Receive Golden Arch Award for Most Innovative and Successful Product Launch of the Year 2002 in Belgium
- Crest Whitestrips Wins Ogilvy Research Award for Being Best Research-Driven Marketing Success in Last 3 Years
- Crest Whitestrips Wins American Graphic Design Award, Sponsored by Graphic Design: USA
- Fairy Dishwashing Liquid Wins 2nd Place in Israel EFFIE Awards
- Fairy Wins Brand of the Year 2002 Award in Russia
- Febreze TV Campaign Wins Best of Best from *Korea Ad Times*
- *Forbes* Magazine Highlights Pampers as 1 of 85 World-Changing Innovations
- Harris Poll Rates Tide World's Most Trusted Name in Laundry Care
- Hugo Boss Wins 3 FIFI Fragrance Design Awards from the Fragrance Foundation in Germany
- Iams Italy Wins Massimo Servakis Award for Innovation in Communication
- Information Resources, Inc. (IRI) Shows P&G Leading Innovation in the Marketplace with #1 Crest Whitestrips; #4 Crest SpinBrush; #7 ThermaCare, #8 Olay Total Effects; and #9 Clairol Renewal 5x
- Middle East Broadcasting Company Gives Ariel's "This Woman is My Mother" Program Prize for Best TV Program of the Year
- NyQuil Cough Receives Gold EFFIE Advertising Award – The Only Over-the-Counter Brand to Win 2 Years in a Row
- P&G Argentina Wins 3 Communication Awards from *Imagen*, a Monthly Magazine Specializing in Corporate and Brand Communication
- P&G Canada Wins *Reader's Digest* Most Trusted Brand Award for Crest, Bounty, Tide, Mr. Clean, Cascade, Pepto-Bismol, Pampers, Olay, Iams, Head & Shoulders, Herbal Essences, Pantene, Clairol, Always, Tampax, and Cover Girl
- P&G Kazakhstan Wins Choice of the Year Awards for Always, Tampax, Pampers, Ariel, Pantene, Blend-a-Med, Secret, Camay, and Comet. P&G also named #1 Producer of Hygienic Products in Kazakhstan for 2nd year in a row.
- P&G Morocco Wins Gold and Silver at Mondial de la Publicité Francophone for Bonux and Tide Advertising Campaigns
- P&G Toronto, Canada, Recognized by Junior Achievement for Record Number of Volunteers
- Pepto-Bismol Wins U.K. OTC Marketing Award
- PuR's Ultimate Water Filtration Pitcher Receives Honorable Mention in Consumer Products Category at International Design's (ID) 48th Annual Design Review
- Actonel's Osteotour Mobile Information and Diagnosis Center for Osteoporosis Receives Rhumato D'Or Prize During 7th Synovile Congress in France
- Torengos Tortilla Chips Receives Gold Level DuPont Award for Packaging Innovation

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Employee/Human Resources Awards

- P&G Argentina Ranked #11 Best Place to Work by *Apertura* Magazine
- P&G Chile Rated Best Place to Work by Great Place to Work Institute
- P&G Chile Rated Among 5 Best Companies for Working Mothers in Chile by Fundación Chile Unido and *Ya* Magazine
- P&G Chile Rated in Top 25 for Corporate Reputation by Collect Market Research
- P&G China Ranked 3rd in *Fortune* Magazine (China) Annual Best Employer Survey
- P&G Germany Rated 8th in Best Companies To Work For by *Capital* Magazine
- P&G Hong Kong Rated 4th Best Employer by *Next* Magazine
- P&G Korea Certified as Company with Excellent Gender Equality Culture by Korea's Ministry of Labor, Korean Chamber of Commerce & Industry, and *Hankook Daily*
- P&G Korea Wins Great Workplace Award of Excellence from *The Korean Economic Daily* and Eitech Trust Management Institute
- P&G Peru Rated 3rd Best Company to Work For by Great Place to Work Institute of Peru
- P&G Philippines Places 2nd in Hewitt Associates 2003 Survey of Best Asian Employers
- P&G Spain Receives IESE-IFREI Research's Flexible Company Award, Recognizing Work-Life Balance and Diversity Efforts
- Universum Survey 2003 Ranks P&G 5th Best Employer in Western Europe

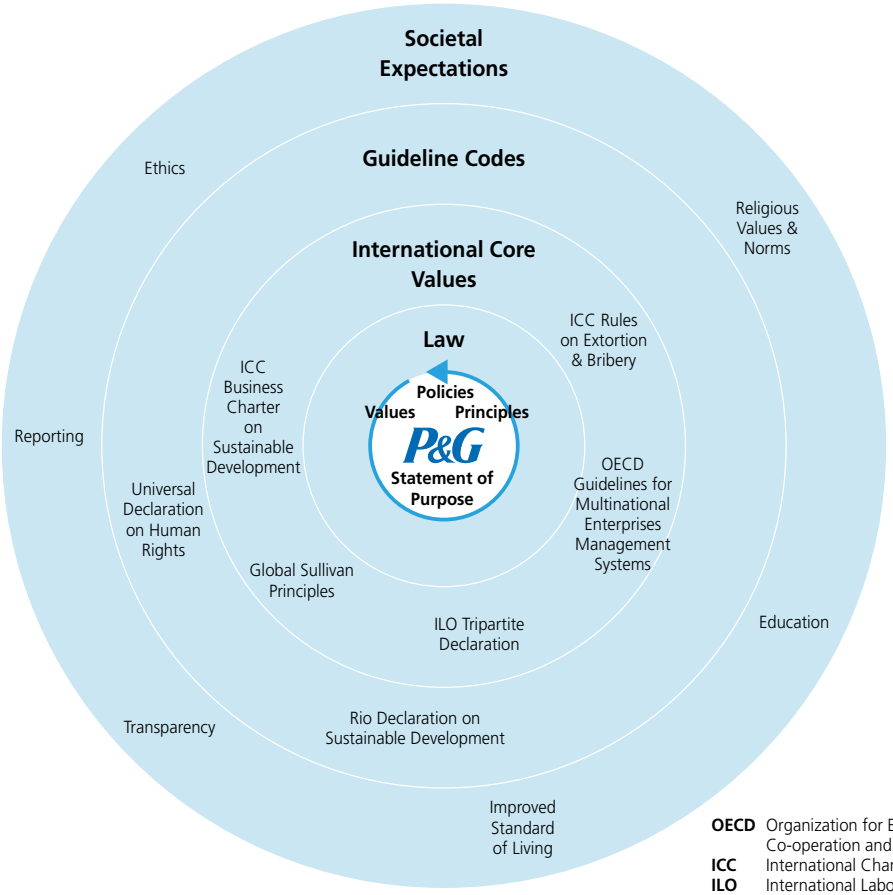
For more information on awards received by P&G, please visit our Web site at:

on the Web

http://www.pg.com/about_pg/overview_facts/awards_recognition.jhtml

Policies, Organization, & Management Systems

Policies, Organization, & Management Systems



OECD Organization for Economic Co-operation and Development
ICC International Chamber of Commerce
ILO International Labour Organisation

Sustainable development is about improving quality of life for everyone, now and for generations to come. P&G contributes to this directly by providing products and services that improve the lives of consumers via health, hygiene, or convenience. Through our activities we also contribute to the economic and social well-being of a range of other stakeholders, including employees, shareholders, communities in which we operate, and more widely, to regional, national, and international development. In summary, P&G contributes to sustainable development through both what we do and how we do it.

"How we do it" includes addressing any environmental and socioeconomic issues associated with our products and services. Our Principles, Values, and Statement of Purpose, which are central to P&G's organization, tell us to do this. They act as guidance for the development of our entire organizational structure, all over the world. They also lead us to a set of management systems and policies applied across the whole Company.

Our Purpose

We will provide branded products and services of superior quality and value that improve the lives of the world's consumers.

As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders, and the communities in which we live and work to prosper.

Our Values

P&G is its people and the values by which they live. We attract and recruit the finest people in the world. We build our organization from within, promoting and rewarding people without regard to any difference unrelated to performance. We act on the conviction that the men and women of Procter & Gamble will always be our most important asset.

P&G Values
Leadership
Ownership
Integrity
Passion for Winning
Trust

P&G Brands and P&G People are the foundation of P&G's success. P&G People bring the values to life as we focus on improving the lives of the world's consumers.

Leadership
- We are all leaders in our area of responsibility, with a deep commitment to deliver leadership results.
- We have a clear vision of where we are going.
- We focus our resources to achieve leadership objectives and strategies.
- We develop the capability to deliver our strategies and eliminate organizational barriers.

Ownership
- We accept personal accountability to meet the business needs, improve our systems and help others improve their effectiveness.
- We all act like owners, treating the Company's assets as our own and behaving with the Company's long-term success in mind.

Integrity
- We always try to do the right thing.
- We are honest and straightforward with each other.
- We operate within the letter and spirit of the law.
- We uphold the values and principles of P&G in every action and decision.
- We are data-based and intellectually honest in advocating proposals, including recognizing risks

Passion for Winning
- We are determined to be the best at doing what matters most.
- We have a healthy dissatisfaction with the status quo.
- We have a compelling desire to improve and to win in the marketplace.

Trust
- We respect our P&G colleagues, customers and consumers, and treat them as we want to be treated.
- We have confidence in each other's capabilities and intentions.
- We believe that people work best when there is a foundation of trust.

Governance Structure
P&G's Board of Directors has adopted guidelines for determining the independence of its board members. At the time of this publication, 83 percent of P&G's board members are from outside the Company.

Corporate Governance Guidelines have existed for a number of years and recently were amended. They provide recommendations on the qualifications for board members regarding their expertise in guiding the strategic direction of the Company. Strategic direction includes issues related to environmental and social risks and responsibilities. The Board has several committees, including Audit, Finance, and Public Policy, to address issues such as the management of economic, environmental, and social risks, and responsibilities.

All shareholders may communicate in writing with the Board of Directors, and all have the ability to submit proposals in the Company's proxy statement pursuant to U.S. Securities and Exchange Commission rules. P&G does not have minority shareholders, as no one entity or group holds a majority position in Company stock.

To read P&G's 2003 Annual Report, please click here: http://www.pg.com/investors/financial_reports/annualreports.jhtml

Our Principles

These are the Principles and supporting behaviors which flow from our Purpose and Values.

We Show Respect for All Individuals

- We believe that all individuals can and want to contribute to their fullest potential.
- We value differences.
- We inspire and enable people to achieve high expectations, standards and challenging goals.
- We are honest with people about their performance.

The Interests of the Company and the Individual Are Inseparable

- We believe that doing what is right for the business with integrity will lead to mutual success for both the Company and the individual. Our quest for mutual success ties us together.
- We encourage stock ownership and ownership behavior.

We Are Strategically Focused in Our Work

- We operate against clearly articulated and aligned objectives and strategies.
- We only do work and only ask for work that adds value to the business.
- We simplify, standardize and streamline our current work whenever possible.

Innovation Is the Cornerstone of Our Success

- We place great value on big, new consumer innovations.
- We challenge convention and reinvent the way we do business to better win in the marketplace.

We Are Externally Focused

- We develop superior understanding of consumers and their needs.
- We create and deliver products, packaging and concepts that build winning brand equities.
- We develop close, mutually productive relationships with our customers and our suppliers.
- We are good corporate citizens.

We Value Personal Mastery

- We believe it is the responsibility of all individuals to continually develop themselves and others.
- We encourage and expect outstanding technical mastery and executional excellence.

We Seek to Be the Best

- We strive to be the best in all areas of strategic importance to the Company.
- We benchmark our performance rigorously versus the very best internally and externally.
- We learn from both our successes and our failures.

Mutual Interdependency Is a Way of Life

- We work together with confidence and trust across business units, functions, categories and geographies.
- We take pride in results from reapplying others' ideas.
- We build superior relationships with all the parties who contribute to fulfilling our Corporate Purpose, including our customers, suppliers, universities and governments.

P&G's Newest Board Members

The P&G Board of Directors elected two new members in 2003:

Meg Whitman
W. James McNerney Jr.

Meg Whitman
Meg Whitman was elected to P&G's Board of Directors, effective January 1, 2003.

Ms. Whitman's first job was in P&G brand management. Before she became president and chief executive officer of eBay in March 1998, her career included key positions at Hasbro Inc., FTD. Inc., the Stride Rite Corporation, the Walt Disney Company, and Bain & Company. Her expertise in brand building, combined with her consumer technology experience, has helped guide eBay in the 21st century economy and has helped foster a truly global marketplace.

Ms. Whitman holds a B.A. in economics from Princeton University and an M.B.A. from the Harvard Business School.

W. James McNerney Jr.
W. James McNerney Jr. was elected to P&G's Board of Directors, effective May 1, 2003.

Mr. McNerney's first job was in P&G brand management. Before he became chairman of the board and chief executive officer of 3M, his career included key positions at General Electric and McKinsey & Company. Mr. McNerney's leadership in delivering innovation to build consumer, customer, and shareholder value makes him an outstanding board member.

Mr. McNerney holds a B.A. from Yale University and an M.B.A. from Harvard University.

Corporate Governance and Management's Responsibility
At Procter & Gamble, our actions – the actions of all employees – are governed by our Purpose, Values, and Principles. These core values set a tone of integrity for the entire Company – one that is reinforced consistently at all levels and in all countries. We have maintained strong governance policies and practices for many years.

We are committed to providing timely, accurate, and understandable information to investors. This encompasses:

Maintaining a strong internal control environment. Our system of internal controls includes written policies and procedures, segregation of duties, and a careful selection and development of employees. The system is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded, that assets are safeguarded, and that accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted in the United States of America. We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the specified time periods. We monitor these internal controls through self-assessments and an ongoing program of internal audits. Key employee responsibilities are reinforced through the Company's *Worldwide Business Conduct Manual*, which sets forth management's commitment to conduct its business affairs with high ethical standards.

Focusing on financial stewardship. We maintain a specific program to ensure that employees understand their fiduciary responsibilities to shareholders. This ongoing effort encompasses financial discipline in our strategic and daily business decisions and brings particular focus to maintaining accurate financial reporting through process improvement, skill development, and oversight.

Exerting rigorous oversight of the business. We continuously review our business results and strategic choices. Our Global Leadership Council is actively involved – from understanding strategies to reviewing initiatives and financial performance. The intent is to ensure we remain objective in our assessments, constructively challenge the approach to business opportunities and potential losses, and monitor results and controls.

Engaging our Disclosure Committee. Last fall, we formalized a Disclosure Committee, a group of senior level executives responsible for ensuring that significant business activities and events are appropriately identified, reported to management and the Board of Directors, and disclosed, as appropriate.

Encouraging strong and effective Corporate Governance from our Board of Directors. We have an active, capable, and diligent Board that meets the required standards for independence, and we welcome the Board's oversight as a representative of the shareholders. Our Audit Committee comprises independent directors with the financial knowledge and experience to provide appropriate oversight. We review key accounting policies and financial reporting and internal control matters with them and encourage their independent discussions with Deloitte and Touche LLP, our independent auditors.

Providing investors with financial results that are complete and understandable. The Consolidated Financial Statements and financial information are the responsibility of management. This includes preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, which require estimates based on management's best judgment.

P&G has a strong history of doing what's right. We know great companies are built on strong ethical standards and principles. Our financial results are delivered from that culture of accountability, and we take responsibility for the quality and accuracy of our financial reporting.

To read P&G's 2003 Annual Report, please click here:

http://www.pg.com/investors/financial_reports/annualreports.jhtml

Executive Compensation
Compensation for executives is based on the principles that compensation must (a) be competitive with other high-quality companies in order to help attract, motivate, and retain the talent needed to lead and grow P&G's business; (b) provide a strong incentive for key managers to achieve the Company's goals; and (c) make prudent use of the Company's resources. P&G has an excellent record of recruiting and retaining employees. It also has an excellent record of developing executive talent from within, an achievement few other corporations have matched.

Executive compensation is based on performance against a combination of financial and non-financial measures, including business results and developing organizational capacity. In addition, executives are expected to uphold the fundamental principles embodied in the Company's Statement of Purpose, Values, and Principles, plus the Environmental Quality Policy. These include a commitment to integrity, doing the right thing, maximizing the development of each individual, developing a diverse organization, and continually improving the environmental quality of our products and operations. In upholding these objectives, executives not only contribute to their own success but also help ensure the Company's business, employees, shareholders, and the communities in which we live and work will prosper.

Policies

These are the policies that support our Purpose, Values, and Principles.

Our Values and Policies

As an important part of our Corporate Social Responsibility program, we have released a publication, *Our Values and Policies*.

This booklet provides sustainable development guidelines for business conduct that are based on P&G's Purpose, Values, and Principles. These key elements are of utmost importance for proper conduct and respect for all individuals in the quest for common prosperity.

Our Values and Policies can be downloaded at:

on the Web

http://www.pg.com/content/pdf/01_about_pg/01_about_pg_homepage/about_pg_toolbar/download_report/values_and_policies.pdf

Sustainability Guidelines for Vendor Relations

We have developed a publication, *Sustainability Guidelines for Vendor Relations*.

This document shares what we expect from our vendors in terms of business conduct and what our vendors can expect from us. It explains that the foundation of our vendor selection guidelines is our Statement of Purpose, Values, and Principles.

We operate within the spirit and letter of the law and maintain high ethical standards wherever we conduct business. We will actively seek business relationships with vendors who share our values and promote the application of these high standards among those with whom they do business.

Sustainability Guidelines for Vendor Selection can be downloaded at:

on the Web

http://www.pg.com/content/pdf/01_about_pg/01_about_pg_homepage/about_pg_toolbar/download_report/guidelines_for_vendor_relations.pdf

The Global Sullivan Principles

P&G was one of the founding members of the Global Sullivan Principles. In accordance with the Global Sullivan Principles, we support economic growth, social justice, human rights, political justice, and equal opportunity wherever we do business in the world. The products we deliver, the consumers we serve, and how we serve them are in line with these expectations. We consider ourselves a global company and a global citizen.

At P&G, everything we do begins with our Purpose, Values, and Principles. We have reviewed and revised our policies to make sure we are aligned with the Global Sullivan Principles. We ensure our commitment to employees through our human resources system and profit-sharing program. We train, educate, and develop our people. We instill our culture and policies to ensure that everyone is treated fairly and has the opportunity to contribute to our vision and mission. The profit-sharing program is designed to provide employees with a stake in the future of the Company. Our flexible work arrangements offer employees the opportunity to meet both business and personal needs. Programs such as these enable us to be a sustainable business and a viable part of the communities in which we do business.

We are working to support the Global Sullivan Principles through our products and businesses. We believe that by incorporating sustainable development in our business approach, we can meet the needs of consumers, employees, and shareholders. All these create conditions conducive to delivering the Global Sullivan Principles – a business proposition in which everyone wins.

Diversity Policy

P&G has a strong legacy of ownership, commitment, and accountability for diversity because we recognize the direct link between the Company's success, both short-term and long-term, and engaging the full power of all our employees. We believe a fully utilized and diverse workforce creates competitive advantage and fulfills P&G's Purpose, Values, and Principles. Our business leaders relentlessly pursue valuing, trusting, respecting, and leveraging individual differences and inclusion to ensure we are "in touch" with our global markets, customers, and business partners. Thus, we are more creative and innovative in developing products and services that improve the lives of the world's consumers. Diversity is a fundamental component of P&G's culture and integral to our "How to Win" business strategy for success.

Leadership Focus and Accountability

A. G. Lafley, Chairman of the Board, President, and Chief Executive, holds himself accountable for leading diversity and monitoring progress in every part of our Company. He also expects top leadership to hardwire diversity into their business strategies, establish clear expectations, and demonstrate personal accountability. This encompasses showing strong, visible leadership, commitment, and constant focus that includes diverse leadership and work teams and robust systems for ongoing measuring and tracking of diversity progress.

At P&G, top executives conduct in-depth diversity reviews annually with organization heads to assess progress and reinforce leadership accountability for corrective actions across the business units. The top 30 officers in the Company have diversity results tied to their stock options awards, and strong diversity performance influences top ratings. Diversity action plans are developed in each region of the world to reflect the greatest opportunity for advancement of local diversity strategies.

Talent Support and Development

P&G strives to build a diverse and fully engaged organization by attracting the best talent from around the globe, leveraging the full talent of each individual through effective assignment and promotion planning processes, and executing with excellence the critical systems that affect and support retention of each employee.

We focus on establishing long-term relationships with educational institutions that have diverse populations of highly qualified

continued on next page

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students. To broaden our candidate base worldwide, we have launched Recruitsoft, our first fully global Web-based online candidate management system. We supplement our base recruiting efforts by utilizing intern programs, participating in recruiting conferences, and increased outreach to high school students. We execute special programs such as INROADS and P&G Marketing and Finance Summer/Winter Camps to introduce students to P&G. Additional teams are available to help with efforts to recruit women around the globe and Hispanic, African-American, military, and disabled candidates in the United States.

Our foundation systems for ensuring employee retention include effective first-year orientation/join-up programs, providing a good match with the first boss, developing coaching/mentoring/advocacy relationships, high-quality challenging work/career plans, training (virtual, classroom, and external) and supportive work/life policies and practices. Employee support groups and network teams exist throughout the organization and contribute strongly to effective recruiting, join-up, and development efforts. These groups include women globally and Hispanic, African-American, Asian/Pacific-American, gay/bisexual/lesbian, and disabled employees in the United States.

Inclusive Culture

P&G leaders are expected to build an inclusive work environment that welcomes and embraces diversity – an environment where people feel comfortable being who they are, regardless of their individual differences, talents, or personal characteristics. This is an environment that provides everyone equal access to information, opportunities, and involvement so each person learns, grows, excels, and maximizes his or her personal contribution.

Training, policy, and sensing systems are utilized to reinforce development of an inclusive culture. Focused diversity training/learning processes are utilized to equip leaders to value and nurture differences in management experiences, styles of leadership, and problem-solving/decision-making approaches. All employees have access to supportive and enabling policies and practices in the areas of flexible work arrangements, family care, resource/referral services, and personal wellness management to improve work/life balance and productivity. Employee surveys and culture sensing, as well as the diverse leadership networks, provide advisory data and learnings to top leadership about how to be more effective at leveraging local customer/employee practices and beliefs.

Business and Community Partnerships

Improving lives in the countries and communities in which we operate is a long-standing P&G value. We are committed to making a difference in all our communities – from India to Kenya, from Canada to Brazil, from France to Australia. Around the world, P&G and its employees strive to improve lives everyday. This has led to a focus on building effective business and community partnerships in areas where we can make a meaningful difference: education, volunteerism to improve the quality of life in our communities, and economic development.

Education is a means of improving quality of life and a pathway to fulfill personal aspirations. P&G supports educational programs from pre-school through college through financial contributions and mentoring/tutoring programs. The volunteer leadership of P&G employees, who can be counted on to help with virtually every significant community project, greatly enhances the effectiveness of our contributions. Through volunteerism, P&G provides ongoing support, sponsorship, and leadership for many civic, cultural, and nonprofit organizations across all geographies in which we operate. In 2001/2002, the P&G Fund, the Company's philanthropic foundation, provided more than $17 million for educational programs, $12 million for health and human services, and over $7 million to civic, cultural, and public service organizations that primarily benefit youth, women, and minorities.

P&G is committed to the economic development of minority- and women-owned businesses and suppliers around the globe. P&G has one of the oldest supplier diversity programs in the United States, spending more than $939 million across nearly 700 minority- and women-owned suppliers. Additionally, P&G provides continuing leadership in the advertising industry by partnering with our agencies to refer applicants to each other and help minorities gain entry into commercial production companies.

Summary

In 2003, P&G's solid progress in diversity was recognized in many national surveys: *Fortune's* Global Most Admired (#7), *Fortune's* America's Most Admired (Top 10), *Fortune's* Best Companies for Minorities (Top 50), *Executive Women* (Top 30), Employers that People with Disabilities Want to Work For (top 50). P&G global rankings for best places to work include: Philippines (#2), China (#3), Peru (#3), Germany (#8), Hong Kong (Top 5). We also won Flexible Company Award for Spain, Working Mothers for Chile (Top 5), and Excellent Company in Fair Employment for Korea.

P&G is committed to being a leader. We want our brands to lead in their categories and our Company to be a leader in our industry and our communities. Our mission is to be, and be seen as, the best consumer products company in the world. In order to achieve our mission, we must be among the best places to work and leverage diversity as a competitive advantage. Our corporate challenge is to become the most in-touch company in the world. To be in touch is to practice – and believe passionately in – diversity and inclusion.

Child Labor and Worker Exploitation Policy

P&G does not use child* or forced labor in any of our global operations or facilities, and we expect suppliers and contractors with whom we do business to uphold the same standards. More specifically, we will not conduct business with vendors employing child, prison, indentured, or bonded labor, or using corporal punishment or other forms of mental or physical coercion as a form of discipline.

* In the absence of any national or local law, we will define "child" as less than 15 years of age. If local minimum-age law is set below 15 years of age, but is in accordance with developing country exceptions under International Labor Organization (ILO) Convention 138, the lower age will apply.

more info

For more information, please click here.

Millstone consumers are drinking some of the best coffee from Nicaragua's Cup of Excellence competition.

This year, three farmers representing the Jinotega region's Pagjino coffee association placed ninth out of 385 competitors. Millstone purchased their coffee, thus completing the circle: P&G supports TechnoServe, which supports coffee farmers through its Cup of Excellence competition, and P&G buys some of the winning coffee.

P&G and TechnoServe Aid Coffee Growers

In recent years, coffee growers in developing nations have experienced a steady decrease in their incomes because of declining coffee prices. To address this crisis, P&G has formed a 10-year alliance – now in its second year – with TechnoServe, a nonprofit organization. The purpose of the alliance is to help small-scale coffee growers in Latin America.

In 2002, P&G committed to donating US$1.5 million to TechnoServe. The money is being used to help create long-term solutions that can make coffee growing profitable for as many people as possible, such as by improving the quality of coffee. Solutions for those who may not succeed at coffee growing include exploring alternative crops.

This year's funding will be used for these programs:

In Nicaragua

- Cooperativa Pueblo Nuevo for business and technical assistance to launch a wet-processing mill. This organization is a group of 35 coffee farmers employing more than 300 people.
- Cooperativas Unidas de Mancotal for technical and marketing assistance. This organization is a group of 200 coffee farmers who pick their own coffee.
- Cup of Excellence. This competition/auction program increases quality and profits by identifying the best coffees of a harvest season. The producing farmers receive a premium price when these rare coffees are sold to the highest bidder. Millstone bought its first lot of Cup of Excellence coffee in June 2003.

In El Salvador

- Event expenses for Cup of Excellence.

TechnoServe also helps farmers form cooperatives so they can pool resources to reduce their costs. Further, TechnoServe assists them in marketing efforts with the objective of selling their coffee at higher prices.

on the Web

For more information, please visit:
http://www.technoserve.org
http://www.cupofexcellence.org
http://www.PAGJINO.org

P&G (Folgers and Millstone) Sustainable Coffee Statement
We recognize the social problems many coffee-growing families face given the current situation of global overproduction and low prices. P&G is committed to help address the underlying social and economic issues which contribute to this situation, and we work with reputable organizations that can help provide long-term systemic solutions.

Sustainability Efforts

1. *Our most important contribution as a roaster, to help solve the oversupply situation, is to promote demand with better products and strong marketing programs.* Since acquiring Folgers in 1963, P&G has doubled the volume. We acquired Millstone in 1995 and have tripled volume since that time. In addition, P&G continues to launch products with innovative marketing programs, such as Folgers new flavored coffee and Millstone organics.

2. *P&G is participating in broad industry efforts to create a more sustainable coffee business for all those involved.* We are actively involved in the National Coffee Association's (NCA) efforts to identify ways to ensure an adequate, sustainable supply of coffee in the range of qualities demanded by consumers, while addressing social and ecological needs. We are participating in key industry dialogues, such as the United Nations Conference on Trade and Development/International Institute for Sustainable Development (UNCTAD/IISD). This group is aimed at developing research on the feasibility and potential of concrete tools for implementing an integrated approach to sustainable development at the global level. We are working with NCA to persuade the U.S. government to rejoin ICO (International Coffee Organization). In addition, we are working with McKinsey and TechnoServe on a coffee industry analysis of the coffee situation and examination of alternative approaches to help address the problems facing those growers affected.

3. *We are dedicated to helping farmers today to ensure they have a sustainable livelihood.*
   - To date, we have signed a 10-year alliance with TechnoServe. This NGO provides assistance to small farmers to help them become better entrepreneurs.
   - Additionally, P&G provides approximately US$10 million per year in relief efforts such as health clinics and schools. In fact, we recently financed construction of a new school located in a coffee farming area in northern Guatemala and participated in its dedication.

We also support efforts such as the Cup of Excellence competitions that promote the host country's best coffees. The winning coffees are auctioned at higher prices versus market averages and create a quality goal for all farmers.

Pricing
We pay prices based on the marketplace and must do so in order to maintain competitive prices for our consumers. Both the green coffee marketplace and the marketplace in which we sell finished product to our consumers are very competitive. We purchase high-quality coffee and must pay a fair market price in order to secure the coffee we need.

Personal Information Privacy

Advances in computer technology have made it possible for detailed information to be compiled and shared more easily and cheaply than ever, around the globe. That can be good news for society as a whole and for individual consumers. For example, it is now easier to prevent fraud and for consumers to learn about new products and services.

At the same time, as personal information becomes more accessible, each of us – companies, associations, government agencies, consumers – must take precautions against misuse of that information. Several countries already have laws protecting consumers from misuse of their personal information, and many others are following suit.

P&G places high priority on safeguarding people's personal information. Even in countries without privacy legislation, we still adhere to our privacy policy. We want to have the trust of consumers and all others who do business with us, including employees, shareholders, retail customers, and recruitment candidates.

P&G's robust privacy program is managed by a Global Privacy Council. Our first objective is to protect an individual's personally identifiable information as if it were our own. All outside companies handling data on our behalf are required to abide by our privacy principles.

Our corporate policy implementation is highly regarded around the world for its focus on the consumer, and we are often asked to participate in government panels and symposiums to help influence and educate others.

on the Web

For more information on P&G's global privacy principles, please visit: http://www.pg.com/privacyprinciples.jhtml;jsessionid=3ONIVLDP1G4PXQFIAJ1SZOWAVABHMLHC

P&G adheres to U.S./European Union Safe Harbor principles. For more information, visit: http://www.export.gov/safeharbor/

In the United States, P&G is an active participant in the Better Business Bureau OnLine (BBBOnLine) Privacy Seal Program. For more information about BBBOnLine, visit: http://www.bbbonline.org/

Advertising Policy and Sustainable Development

If sustainable development is about ensuring a better quality of life for everyone, now and for generations to come, then advertising has a key role to play in this. Advertising helps inform consumers about products and services and facilitates consumer choice. After all, it is consumers themselves who are best placed to choose how best to improve their own quality of life.

more info

For more information, please click here.

Animal Welfare

P&G's first priority is the safety of its consumers. We view safety as an essential ingredient of all our products.

To achieve the highest safety standards, we evaluate all our products via a comprehensive risk assessment. Except where required by law, P&G does not use animals to evaluate the safety of non-food and non-drug consumer products. Of the limited animal testing we use, the majority of it relates to drug and health care products.

P&G people care about the welfare of animals. We have been able to reduce, refine, or replace animal testing due to increased use of historical data, use of sophisticated new computer models, and development of alternative research methods. P&G is further working toward the acceptance of animal research alternatives by governments around the world.

We are committed to the ultimate elimination of unnecessary regulatory testing. Where testing is still necessary, we will also meet or exceed standards established by the Animal Welfare Act of the United States, the U.S. Department of Agriculture, and Directive 86/609/EEC of the European Union.

on the Web

For more information on P&G's product testing, please visit: http://www.pg.com/about_pg/science_tech/animal_alternatives/category_main.jhtml

Iams Revamps Animal Research

Early in 2003, a U.S. animal rights group made serious allegations about an independent research facility contracted to do work for the Iams brand. P&G investigated the facility and decided to discontinue working with it.

The investigation included an unannounced visit to the facility. P&G concluded that, even though the facility passed U.S. government inspections, it did not meet P&G standards regarding air temperature, ventilation, resting beds, and socialization. All 19 animals at that facility were relocated to an Iams facility, where they were placed into a pet adoption program for Iams employees.

Furthermore, Iams conducted comprehensive inspections of all outside facilities hired to do its dog and cat nutritional studies. This major effort involved independent animal welfare experts plus P&G researchers, veterinarians, and a group of non-technical employees who acted as the "eyes and ears" of consumers.

These inspections demonstrated that all the remaining facilities comply with government regulations and do not put the health of dogs or cats at risk. Nonetheless, we decided to consolidate our pet nutritional studies at fewer contract facilities and to bring them all up to the higher Iams standards for care. Compliance with Iams standards and research policies will be monitored by an independent Animal Care Advisory Board, now being formed. Briefly, Iams research policies state that we will conduct only those dog and cat nutritional or medical studies that are acceptable for use with humans.

The purpose of Iams' research is to advance scientific understanding of dog and cat nutrition. By improving pet nutrition, we hope to improve pets' overall well-being.

on the Web

For more information, please visit:
http://www.iamsco.com.

Iams Pet Imaging Center

The Iams Pet Imaging Center is a state-of-the-art facility capable of identifying serious conditions in dogs and cats, reducing the need for exploratory surgery. The Center opened in Washington, D.C., in 2002 and is sponsored by P&G Pet Health & Nutrition, along with veterinarians and Pro Scan, manufacturer of the Center's MRI equipment.

Gabe, a golden retriever who travels throughout West Virginia to train service dogs used by people with disabilities, was sidelined by a health problem last fall. The Iams Pet Imaging Center was able to diagnose his infected spinal disc without cutting him open. Once Gabe received antibiotics, he was able to get back to helping service dogs and their people.

Environmental Quality Policy

We will provide products and services of superior quality and value that improve the lives of the world's consumers. As part of this, P&G continually strives to improve the environmental quality of its products, packaging, and operations around the world.

more info

For more information on P&G's Environmental Quality Policy, please click here.

Health and Safety Policy

P&G is committed to having safe and healthy operations around the world. The goals are to protect the lives and health of its employees and the communities surrounding its operations, as well as to protect its assets, ensure business continuity, and engender public trust. To accomplish this, P&G will:

- Operate facilities safely and ensure processes are safe and healthy for our employees and the residents of the surrounding communities. We will accomplish this by following uniform corporate safety standards around the world. Safe operations have been a long-standing part of Company culture, reflecting the belief that our people are our most important asset.
- Construct our facilities so as not to compromise the safety and health features designed into them.
- Monitor progress toward our objective of preventing injuries, illnesses, and incidents. We will continually assess and improve our safety and health technologies and programs.
- Have every employee understand and be responsible for incorporating safe behavior in daily business activities. Every employee is trained to work in a safe and healthy manner.
- Have operating standards, practices, systems, and resources in place to implement this policy.

Climate Change Policy

P&G supports efforts to deal with climate change under the U.N. Framework Convention on Climate Change. P&G is not an energy-intensive business, though we understand the potential impacts of greenhouse gases from our operations. We take energy conservation and efficiency seriously. We strongly support continued scientific efforts to understand the causes and consequences of, and potential remedies for, the negative effects of climate change.

It is critical that the international community take action to provide the flexibility essential to minimize negative economic and social impacts of climate change on countries, individual businesses, and the general public.

Forest Resources Policy

P&G purchases forest resources – wood fiber and cellulose – to use in the manufacture of its Baby Care, Feminine Care, and Family Care paper products. The Company believes that these forest resources should be managed for long-term viability.

The Company provides suppliers with its requirements regarding the purchase of wood fiber and cellulose materials.

more info

To see those requirements, please click here.

Millstone Rainforest Alliance Coffee for a More Sustainable Future

As part of the Millstone brand's efforts to help build a sustainable future for coffee farmers, the brand is launching a new coffee that has been Rainforest Alliance certified.

In recent years, farmers have cleared forests to increase coffee production. Chemicals and soil erosion from their farming are destroying wildlife habitats. Now, the Sustainable Agriculture Network, a program of the Rainforest Alliance, provides incentives for farmers to conserve the rainforests. If they meet a strict set of agricultural standards, their farms receive a seal of approval by which consumers can distinguish their product.

on the Web

For more information on the Rainforest Alliance, please visit: http://www.rainforest-alliance.org

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P&G Protects and Grows Forest in Avila Mountain Range

For the past ten years, P&G Venezuela has celebrated the worldwide Tree's Day by organizing a powerful integrative event in which communities, employees, and the government work together to plant tree seedlings in the fire control zone of the Avilas (a mountain range located in Caracas).

More than 3,000 trees have been planted throughout the years. This activity is in conjunction with maintenance of the Fire Protection Zone created and protected by P&G for 12 years.

In 2003, Venezuela's National Institute of Parks recognized P&G for organizing this event and contributing to keeping this important zone safe from fire.

Management Systems

P&G's Management Systems ensure that the Company's policies are implemented in a consistent manner throughout the world. These Management Systems align with the Company's policies and promote a regular flow of information that helps the Company better manage its progress on elements of sustainable development. This section provides an overview of our Management Systems.

Human Resources

Human Resources ensures that P&G has the employees, organizational design, and work culture to deliver business productivity and to continually improve consumer, employee, and shareholder value.

more info

For more information on Human Resources, please click here.

Employee Self-Service

P&G's Employee Self-Service program enables employees worldwide to safely and securely manage their employee data directly, online, 24 hours a day. Information available to employees includes:

- Pay statement
- Tax information
- Home address
- Stock Options/Future Share accounts
- Benefits enrollment

Employee Privacy

P&G respects the privacy of every employee. We are committed to protecting the privacy of employee data and following all data privacy laws. Only data needed to conduct business and provide for the needs of employees will be collected. This data is protected with appropriate security systems and used only for intended purposes. Employees have reasonable access to data that the Company maintains about them.

Harassment Policy

P&G is committed to providing a harassment-free work environment. This is the right thing to do not only from a social perspective, but also from a business perspective because it enables our diverse workforce to contribute to their highest potential. We will not tolerate harassment of anyone by anyone – including employees, suppliers, customers, contractors, and agencies. Every employee is expected to be proactive in ensuring that the work environment is free from harassment of any kind. Managers of others are responsible for setting clear expectations for acceptable behavior in the workplace.

Open Job Posting System Rolled Out Globally

Two years ago, P&G introduced electronic Open Job Posting in Asia, following a year later in North America. In 2003, the system is now functioning throughout the world. All employees can see what positions need to be filled, everywhere.

Being able to see this information, employees can share ownership for assignment and development planning with their managers. Open Job Posting gives employees a chance to match their skills and aspirations with jobs across P&G and provides management with access to a wider talent pool.

The strong relationship between manager and employee becomes even more important, building on mutual trust, ongoing dialogue, and mutual commitment to joint success.

Go, Give & Grow Addresses Health Needs

P&G's Go, Give & Grow (GGG) program is in its third year of collaboration with the World Health Organization on humanitarian projects. Go, Give & Grow selects four new graduates from top Western European universities to work on these projects before starting their P&G careers.

This year's participants are working on polio and tuberculosis eradication in Ethiopia, Nigeria, and India, and on researching traditional medicine and health care in the Philippines.

They are:

Gunilla Johansson – Sweden
Angeliki Bakogiani – Greece
Luigi Zappi – Italy
Judith Elliman – U.K.

The group gets the chance to contribute to a humanitarian organization and to bring their experiences to P&G when they start their P&G careers.

on the Web

For more information on GGG, visit:
http://www.pgcareers.co.uk/index.asp?l1=4&l2=10

Insurance Systems
The Corporate Insurance Program sees that P&G is protected from potential major losses. It tries to secure the best coverage at the lowest cost.

more info

For more information on Insurance Systems, please click here.

Human and Environmental Safety of Our Products
The Product Safety and Regulatory Affairs (PS&RA) organization is responsible for ensuring that products and packages are safe. PS&RA is responsible for ensuring that products are safe for consumers, safe for the environment, and in compliance with laws and regulations where they are sold. PS&RA also addresses other environmental aspects of products and packages, such as their compatibility with waste management systems, natural resource use, or issues of "perceived safety."

more info

For more information on Human and Environmental Safety, please click here.

Business Continuity
P&G's Global Business Continuity Program ensures that all critical sites and work processes evaluate their risk mitigation programs, exposure to catastrophic events at P&G sites and at our key suppliers and service providers that could significantly interrupt business operations, and the business impact of such events. Site and business unit leaders then develop contingency plans to minimize business interruption if a disabling event should occur. Crisis Management team structures are defined to manage business recovery using the pre-defined contingency plans. Tests are conducted annually to ensure the contingency plans are sufficient and up-to-date. Business Continuity Plans are audited annually, and a report of the Business Continuity Program status is made each January to the Audit Committee.

Worldwide Health, Safety & Environment Systems at Manufacturing Operations
Health, Safety & Environment (HS&E) is a global community of resources responsible for ensuring that all manufacturing facilities worldwide are operated safely and legally; that process hazards are minimized or eliminated; that health risks are identified, managed, or eliminated; and that waste from sites is reduced as much as possible. Several thousand employees spend all or a portion of their time on HS&E management; this totals more than 1,044 full-time equivalents.

more info

For more information on HS&E Systems, please click here.

HS&E Benchmarking
Benchmarking is an important tool used by P&G to assess and maintain the health of its global HS&E (Health, Safety & Environment) program. Benchmarking provides Corporate HS&E with data to verify the robustness of our performance and to identify improved management and technology approaches.

During the past year, P&G has continued to participate in several benchmarking studies involving other multinational companies headquartered in the United States and in Europe. Examples of these studies include a comprehensive review of HS&E activities at 20 leading companies; another study with 17 companies; HS&E discussions with 5 European-based companies; and surveys of several key HS&E topics led by GEMI (Global Environmental Management Initiative) with a membership of 40 multinational companies.

As a result of this work, we have concluded that when compared to other leading multinational companies, P&G has:

- Strong HS&E performance
  - Injury/illness rate for employees – lowest 25 percent
  - Lost workday rate for employees – lowest 25 percent
  - Penalties paid (in $/yr per $/billion sales) – lowest 33 percent
  - Property loss (in $/y per $/billion sales) – lowest 33 percent
- HS&E operating costs decreased approximately 25 percent (in $/yr per $/billion sales)
- Shifted more HS&E work to site technicians than most other companies. This is one of the main reasons for our lower costs.
- Similar HS&E management systems, though its approach to information and training systems is somewhat simpler than the average.

P&G's current HS&E situation is quite positive when compared to these peer companies. The long-term challenge is to continue delivering benchmark results. To that end, an in-depth HS&E benchmark study, involving eight other leading companies, will be conducted over the next year.

Medical Systems
P&G's Global Medical organization advises and assists management and employees in assuring a safe, healthful work environment through the delivery of preventive health and clinical services. These services are for all employees, not just those at manufacturing sites.

Global Medical manages health issues that may affect employees, technologies, and brands. As P&G is a principles-driven Company, all medical system work is undertaken in the following order of priority:
1. Save a Life (Protect our People)
2. Obey the Law (Protect Company Reputation)
3. Protect Key Technologies (Protect Brand Integrity)
4. Enhance Speed to Market (Protect Emerging Technologies)
5. Optimize Employee Productivity

All medical standards of performance and standard operating procedures flow directly from specific P&G Principles, Values, and other compelling business needs.

Fire Protection Systems
P&G operates its fire protection program on the basic principle that each facility is unique and should have a program designed to meet its specific requirements. The Insurance Division, working with Global Business Unit fire protection leaders and local management, determines the appropriate level of fire protection for each P&G location.

Each facility's program is organized and built around the following key elements:
- Protection Engineering
- Maintenance and Inspections
- Prevention Programs
- Emergency Response
- Qualified Personnel

Each facility has a fire defense profile that describes in detail the program requirements.

Principal Industry and Business Associations

P&G holds membership in many industry, business, and environmental associations whose activities are related to the Company's. Please click on the links below to view these memberships.

Europe, Middle East, and Africa

more info

For a complete list, please click here.

North America

more info

For a complete list, please click here.

Latin America

more info

For a complete list, please click here.

Asia

more info

For a complete list, please click here.

Worldwide

more info

For a complete list, please click here.

P&G Supports Consumer-Led Initiatives in Industry Associations
As a member of the European employers federation, UNICE, P&G led the effort to develop a statement called "Business Commitment to Consumer Protection and Satisfaction." It addresses European consumer confidence, product safety, and dialogue between consumers and business. The statement is included in a UNICE brochure issued to mark European Consumer Day.

UNICE membership consists of more than 16 million companies in Europe, and it is the umbrella association representing 34 industrial and employers' federations in 27 countries.

on the Web

For more information, please visit UNICE at http://www.unice.org

Stakeholder Interaction

Communities

Each P&G production facility has site-specific activities to build constructive relationships with local authorities, local industry associations, neighbors, local action groups, thought leaders, and news media. Depending on the culture of the community in which the plant is located, this can range from regular official meetings during which new information is shared or questions are answered, to more informal meetings. This could be, for example, a reception for the immediate neighbors, where information on the past year and plans for the new year are discussed. P&G ensures continuity in community interaction by meeting regularly with local authorities to update them on plant news. In the neighborhoods of many P&G operations, the Company cooperates with and sponsors local events, so the whole area benefits from the presence of a P&G site.

P&G recognizes the importance of improving the quality of life in our local communities, and we support local initiatives and encourage employee involvement. The most valuable community support we provide usually involves not only writing a check but also taking advantage of the intellectual capabilities and energy of P&G people. We look for areas where we can make a significant long-term, systemic difference. This leads us to focus heavily on education and health, with special emphasis on youth. It also leads us to build alliances with strategic partners to achieve a better result than we could alone. We look to our people in the area to work with their local communities and government officials to learn where we can make the biggest difference.

In addition, P&G employees and retirees have a long tradition of volunteer involvement in the communities where we live. We lend a hand to those in need. We pitch in when disaster strikes. We support the arts. We support education. We invest our resources – and ourselves, through tens of thousands of volunteer hours – in our neighborhoods around the world.

NGOs: Local - Regional - Global

more info

For more information, please click here.

Scientific Community

more info

For more information, please click here.

ReCrear & P&G Argentina – Taking Care of the Environment, Working for the Future

P&G Argentina has been working since 1998 with an NGO called ReCrear, which promotes sustainable development via educational programs focused on water quality improvement and the sustainable use of ocean and river resources.

P&G Argentina supports these two ReCrear programs by financing materials and activities:

- Coastal Cleanup (for the Ocean Conservancy), an annual ReCrear event to clean up beaches. ReCrear integrates the cleanup with an educational program teaching ways to reduce the impact of daily activities by reducing trash generation and by recycling. More than 25,000 people have participated, collecting more than 40 tons of solid waste.
- Save Our Planet, which encourages students to think about the complexity of environmental issues and to avoid damage to the ecosystem. Schools receive instructional materials and can log onto the interactive Web site http://www.savatumundo.org.ar. In fact, the program is part of the official curriculum for schools in the Buenos Aires province. Some 20,000 children per year participate.

P&G Geneva and Le CARE

Le CARE is a Swiss organization helping men and women in Geneva who are homeless, have mental health problems, or are simply down on their luck. Le CARE provides daily activities, an opportunity to socialize, and a hot meal for anybody who is in need.

On an average day, between 5 and 15 dogs and puppies accompany their owners to Le CARE. Often these well-socialized and healthy dogs are the owner's only friend and companion; providing a bond and a reason to live.

To better assist the dogs and their owners, we are providing a Eukanuba meal to each animal that comes in with its owner. Training and materials are provided to Le CARE personnel to make sure the correct food (according to age, breed, and size) is provided and owners are made aware of pet nutritional needs.

P&G Iams people visit the center biweekly to provide advice on dog nutrition, general pet care, behavior, and basic training.

Visitor comments on the Iams programs at Le CARE are very positive, and the program has encouraged owners to visit more often.

Reach, Distribution, and Livelihood Program
In the Philippines, P&G has found a way to create jobs and to get products to consumers who haven't been able to buy them.

Bringing together two problems and one solution, P&G created the Reach, Distribution, and Livelihood program. "Reach" and "Distribution" refer to bringing products to people who live in remote areas or whose local stores are too small or inaccessible to receive stock. "Livelihood" refers to poor families who welcome additional income.

In the Reach, Distribution, and Livelihood program, P&G distributes product to mothers of school-age children, along with sales equipment such as uniforms and rolling bags. The women receive a 5 percent commission when they sell product to small stores. They augment family income and make it possible for their neighbors to buy P&G products.

Five months into the program, 580 jobs have been created, 28,000 additional stores sell P&G products, and distributors supplying the women are making 1 percent margin.

Distributors' vans bring products to the women, who carry them to small retailers in rolling bags.

Partners for the Future Foundation
Through the Partners for the Future Foundation, part of Korea's American Chamber of Commerce, P&G and its employees are working to aid the unemployed in Korea. Partners for the Future provides funding for job training and scholarships for the unemployed and for needy students who otherwise would be unable to train for jobs.

Every P&G Korea employee has volunteered to make a monthly contribution to Partners for the Future. In addition, the Company is matching the employees' donations. The contribution is expected to total US$20,000 this year.

Authorities: Local – Regional – Global
P&G communicates with local, regional, and global authorities directly, as an individual company, as well as through industry associations. Scientists and legal experts in the P&G External Relations organization review existing and proposed legislation that is relevant to the Company and work with authorities to ensure that policies take the needs and experience of business into account. This is done via meetings with the authorities and comments on their position papers and industry position papers. Activities like these can be very important to ensure the Company's needs are understood and considered when decisions are being made that can influence P&G's business.

P&G also works closely with authorities to provide assistance for a variety of programs around the globe. P&G provides business and scientific expertise, funding (either financial or donations of product), and employees' time to a wide variety of projects.

Consumers

At P&G we have declared that "The Consumer is Boss." We are committed to meeting the needs of our consumers and providing products that improve their lives. We embrace and promote this mindset throughout the development and marketing of our products.

We set out to delight consumers by bringing to market only new products and product improvements that genuinely meet their needs better than ever. Before establishing a project for a new product or line extension, P&G technologists research consumer needs in-depth to identify and understand those needs that are not adequately met.

Following thorough screening of these products to ensure safety and compliance with all relevant legal requirements, P&G market researchers appoint panels of consumers to try out the products and answer the key question: Do these products better meet consumer needs in practice? Based on what consumers tell us in these early trials, the test product may be rejected or adapted and improved.

Our commitment to our consumers does not stop there. When our products reach the market we want to hear what consumers have to tell us about their experiences with them. Providing toll-free numbers on our packages makes it easy to contact us. Via our Consumer Relations organization, we learn a great deal from the more than 5 million consumers worldwide who contact us every year.

Our skilled Consumer Services advisors are expert in responding quickly and effectively to occasional requests for urgent help (such as following accidental ingestion of a detergent), answering general questions, and listening to comments. Consumers call to ask for information or to tell us about their experiences with a product – a delight or, less fortunately, a disappointment. Listening to consumers enables us to retain the features of our products that consumers like, make improvements where necessary, and address specific issues such as difficulties with packaging or product availability in their local stores. Consumer calls give us critical early indications about acceptance of our new initiatives as well as valued feedback about established products. These comments have influenced product development, packaging, the way we manage direct marketing and promotions, the way we communicate with consumers to enable them to get the very best from our products – and more.

This consumer learning is so valuable to us that we have implemented leading-edge "Consumer Advocacy" tools to bring the voice of the consumer to those who can make a difference within P&G. In the United States and Western Europe, we have created "Listening to The Boss." Via this internal Web site, P&G managers responsible for product development, marketing, and manufacturing listen to consumers describing their delights and disappointments with our brands. The Web site is a library of selected and edited consumer calls, letters and e-mails. (Privacy guidelines are strictly adhered to.)

We listen carefully to consumers' views on important topics such as animal testing, waste management, and others. More details about our efforts in these areas are elsewhere in this report.

Living It! in Brazil

In Brazil, low-income households account for 76 percent of the population. At least half their income goes into consumer goods. P&G understands these households need to get the best value they can for their expenditures. But P&G also recognized that it needed to gain a better understanding of these consumers before truly being able to meet consumer needs in this large population segment.

P&G Brazil staff decided that to understand these households, they needed to live in them. They partnered with Brazilian food industry leader Sadia to implement the Living It! program. Under Living It!, P&G staff lived in low-income Brazilian homes for two weeks, trying to better understand family and community life.

As a result of Living It!, we are working on new products and distribution systems as well as better ways of communicating with our consumers.

Combined Stakeholder Dialogues
P&G convenes workshops, inviting scientists, regulators, and NGOs to come together to discuss specific issues and attempt to reach a common understanding. P&G gains invaluable experience from these types of interactions. These dialogues also hold great promise for frank discussions in the future.

Shareholders
Shareholders are important stakeholders at P&G. There are approximately 1,234,000 common stock shareowners, including shareholders of record, participants in the Shareholder Investment Program, participants in the P&G stock ownership plans, and beneficial owners with accounts at banks and brokerage firms, as of August 1, 2003.

We work to increase the value of P&G stock for all our shareholders in a variety of ways, including growing the Company's sales and earnings each year. Our Shareholder Services team is available every day to answer questions, listen to shareholder feedback, and provide perspective on Company decisions.

There are several ways to get in touch with Shareholder Services:

E-mail us at shareholders.im@pg.com.

Call for financial information at 1-800-764-7483 (call 1-513-945-9990 outside the United States and Canada).

Speak to a Shareholder Services representative at 1-800-742-6253 (call 1-513-983-3034 outside the United States and Canada). They are available Monday through Friday, 9 a.m. - 4 p.m. EST.

Write to The Procter & Gamble Company, Shareholder Services Department, P.O. Box 5572, Cincinnati, OH 45201-5572

on the Web

For more information, please visit:
http://www.pg.com/investor.

P&G Exhibits at World Water Forum III
P&G sponsored an exhibition booth at this year's global Water Expo, held in Japan. The objective of World Water Forum III is to raise awareness of critical water issues, stress the importance of water supply, and obtain support from government and municipalities..

Visitors to P&G's booth learned about:
- "Smart Laundry" – demonstrating the benefits of High Concentration Washing, which gets clothes clean while conserving water.
- Benefits of detergent to improve the consumer's life while maintaining a safe water environment
- An environmental risk assessment tool named after Japan's Tamagawa River. Visitors learned how to use the computer simulation program to assess detergent's impact on water quality. When the Tamagawa Model receives data such as population in an area, the number of sewage treatment plants there, and water flow rate, it calculates the concentration of chemicals within 1 kilometer. The program mathematically simulates how detergents dilute in river water and how the ingredients degrade. P&G lets the public use the Tamagawa Model free of charge. Japan's Soap and Detergent Association has adopted it as a tool to evaluate pollution risks.

Visitors to P&G's booth at Japan's Water Expo learned about water issues and what they can do to help.

P&G's Geneva Headquarters Turns Inside Out
In April 2003, P&G's European organization continued down the road of increased openness and transparency with its second "Inside Out" event, held at its Geneva Headquarters.

More than 150 guests from business, universities, international organizations, and NGOs, as well as media and opinion leaders, were welcomed at P&G's Geneva Business Center. Throughout the day P&G expressed its commitment to more dialogue and transparency as a "must" to meet the needs of its consumers and stakeholders.

During the event, P&G's business leaders and employees in Europe shared their enthusiasm and commitment to external focus through a number of talks, workshops, and an extensive exhibition explaining the science, innovation, and passion behind P&G brands across its whole business spectrum.

Paul Polman, Western European President, summed up the day: "By sharing more about what we do and what we stand for as a Company, we can build trust, grow sustainably, and get on with our No. 1 job – improving the lives of the world's consumers."

P&G inside OUT

Stakeholder Feedback

P&G asked Business for Social Responsibility (BSR) to analyze our 2002 Sustainability Report and to solicit feedback from a number of Company stakeholders. BSR requested interviews with individuals from 12 organizations, and 8 agreed to provide input. Also, representatives from each of BSR's program areas – Community, Environment, Human Rights, and Governance/Accountability – reviewed the report and provided their feedback.

Responding to a list of questions created by BSR and P&G, the reviewers made these comments:

- They were uniformly pleased that the report articulates the meaning and impact of sustainable development for the Company, tying P&G's initiatives to our core business in a document that is visually pleasing and colorful.
- They appreciated the report's environmental and diversity data, and many sought similar data on the full range of issues covered in the report.
- The most frequent criticism was the lack of clear description of the Company's business objectives related to sustainability, as well as consistent metrics to measure success in achieving the objectives.
- Reviewers strongly suggested that the report directly and humbly identify challenges the Company faces, describe sustainable development policies and implementation and accountability processes, and articulate a stakeholder engagement strategy for continually soliciting external feedback on P&G's performance.
- They acknowledged that, though many of these components may currently exist, the report is not organized in such a way as to highlight them.
- Reviewers were universally appreciative of the opportunity to provide feedback and regarded the Company's openness to stakeholder feedback on the report as a leadership practice.

As a result of this feedback, P&G has started to address the issue areas highlighted in the current report. We have

- Better stated the business objectives and measures of our sustainable development efforts (see page 3).
- Outlined the challenges ahead of us in our journey to embrace sustainability (see page 3).
- Included additional data on social and economic issues, though we still are working on ways to measure the effectiveness of our efforts in these areas.
- Reorganized the policies and management system area to show how these are connected.

P&G has issued a Sustainability Guidelines for Vendor Relations booklet and has updated the booklet called Our Values and Policies (see page 24) to tie it more closely to sustainable development. These booklets articulate standards we expect of our vendors and ourselves in terms of respecting the people and communities we deal with during the course of our business. P&G draws on recommendations from experts to develop the policies and processes in these booklets.

On our plate for the near future is developing a more structured stakeholder engagement process. We also would like to better explain how our Purpose/Values/Principles, our policies, and our management systems fit together.

on the Web

For more information, please visit: http://www.bsr.org

Trends in Chemicals Management – P&G's Commitment to Product Safety and Sustainability

Household consumer products use a variety of chemicals to provide benefits to society – improving the cleanliness of our homes, personal hygiene, nutrition and health, and enabling an overall better quality of life. One expectation of such products is that they will be safe, meaning their use will not adversely affect human health or the environment.

Throughout its history, P&G has believed that the safety of our products is a prerequisite for responsible business. Our co-founder, James Gamble, stated in the mid-1800s that "if you cannot make pure goods and full weight, go to something else that is honest, even if it is breaking stone." Today, this philosophy is reflected in our Statement of Purpose: "We will provide branded products and services of superior quality and value that improve the lives of the world's consumers." Safety is an intrinsic part of our products' quality and value.

Our approach is based on the scientific assessment and management of risk – the likelihood that people or the environment will be exposed to harmful amounts of a substance. Risk assessment is based on two factors: (1) how "toxic" or "hazardous" a chemical is, and (2) how it is used, specifically the extent of exposure to humans or the environment.

In recent years, some stakeholders have expressed concern about using risk as the basis for product safety. These concerns have been driven by several issues, including:

- Questions about whether the hazards of existing chemicals have been sufficiently studied, and whether chemical exposures can be adequately understood.
- Frustration with the slow pace of developing publicly available risk assessments.
- New scientific findings (e.g., endocrine modulators) that have not been previously known or evaluated.

As a result, some believe that it might be better to base decisions on a chemical's hazards alone. This has been coupled with calls for the far-reaching use of the "precautionary principle," whereby substances that are classified as "hazardous" would be broadly restricted, with little further evaluation. We recognize the attraction of such a "black and white" approach. However, we believe that it could cause chemicals that are being safely used to be unjustifiably removed from the market, potentially depriving society of innovative and beneficial technologies. Furthermore, experience has shown that even chemicals that could be considered "non-hazardous" (e.g., soybean oil or even water) can cause harm under certain circumstances, while "hazardous" chemicals can be safely used (e.g., ethanol).

We recognize that continuing questions about the safety of chemicals mean that industry must take a more collaborative and open approach. Thus, we have initiated a variety of industry partnerships, including: the collaborative assessment of laundry and cleaning product ingredients in Europe (Human and Environmental Risk Assessment – HERA – (http://www.heraproject.com); evaluations of "High Production Volume Chemicals" in the United States and Organization for Economic Cooperation and Development (OECD); assessments of flavors, fragrances, and colorants by European and U.S. cosmetic products associations; work in Canada to implement renewed chemicals legislation; the promotion of risk assessment via the U.S. Alliance For Chemical Awareness (http://www.chemicalawareness.com) and the American Chemistry Council; and development of a targeted risk assessment approach in Europe, via the European Center for Ecotoxicology and Toxicology of Chemicals (ECETOC), an industry-sponsored research organization (http://www.ecetoc.org).

In addition, we are actively promoting the responsible production and use of chemical products, and better information sharing with the public. For example, we are working with the European soap and detergent industry association (AISE) to provide consumer guidance on how to use detergents properly (Wash Right Program), as well as formulation improvements. Last year, we launched a P&G Internet site (http://www.scienceinthebox.com) to help inform consumers and stakeholders about the science and safety behind our European cleaning products. This site is receiving over 10,000 hits monthly, and we are exploring how it might be expanded.

From a policy standpoint, we continue to believe that chemicals management programs should be based on:

1. Efficient risk-based priority-setting processes that use hazard data and basic exposure information together to identify issues of potential concern, followed by practical risk evaluations that analyze chemicals in a tiered fashion to resolve such issues.
2. Risk management decision-making that combines information on a chemical's risks, benefits, and costs with an understanding of societal concerns; the risks, benefits, and costs of alternatives; and the use of appropriate precautionary measures.
3. Communications that provide meaningful and relevant safety information to stakeholders, such that they can make knowledgeable decisions.

These policies are the foundation of what we do internally, as well as what we promote across government and industry. Internally, they are enabled by collaboration between Research & Development, Product Safety and Regulatory Affairs, Manufacturing, External Relations, and management. Our efforts also often go beyond safety and risk to include product lifecycle issues such as energy and resources use and waste management.

Collectively, we believe these activities and policies enable continued progress toward sustainability and enable us to provide safe, effective products that improve lives.

Performance

Performance

P&G measures operational performance in order to drive continuous improvement. A comprehensive, Company-wide system of measuring performance has been developed. This approach enables the Company to report data on a wide range of operational categories.

Key Sustainability Focus Areas
At P&G, we proactively seek to bring together innovative ideas and resources to create new products and services that improve the quality of people's daily lives. Regarding sustainability, we focus in the areas of:
- Water
- Health and Hygiene

Our actions are not just profit driven but also progress driven, to ensure a better quality of life for everyone, now and for generations to come. Our extensive consumer research related to our brands also helps us identify ways we can best address sustainability.

Process for Data Collection
P&G's data collection systems have been in place for many years. They are designed to be simple enough so that the people closest to the work, regardless of location, can use the tools. This simplicity enables the Company to collect data and update systems annually at a relatively low cost. Each business unit is responsible for accuracy and consistency of its data.

All data are reported on a global basis. In order to achieve consistency and to ensure a common understanding throughout the organization, employees are trained in how to report and document data. Metric units and English are used as the business language, backed up with local translations, where needed.

Acquisitions and Divestitures
All facilities that operated during the fiscal year reported data. Four sites were shut down, and two were sold. The emissions from each were prorated based on the number of months operated. There were no new sites acquired during the year.

Major Opportunities and Impacts Associated with Products and Services

Environmental Protection
- Water
- Resource Use
- Waste Reduction

Social Responsibility
- Health
- Hygiene
- Education

Economic Development
- Shareholder Value
- Employment
- Taxes, Fees, and Contributions

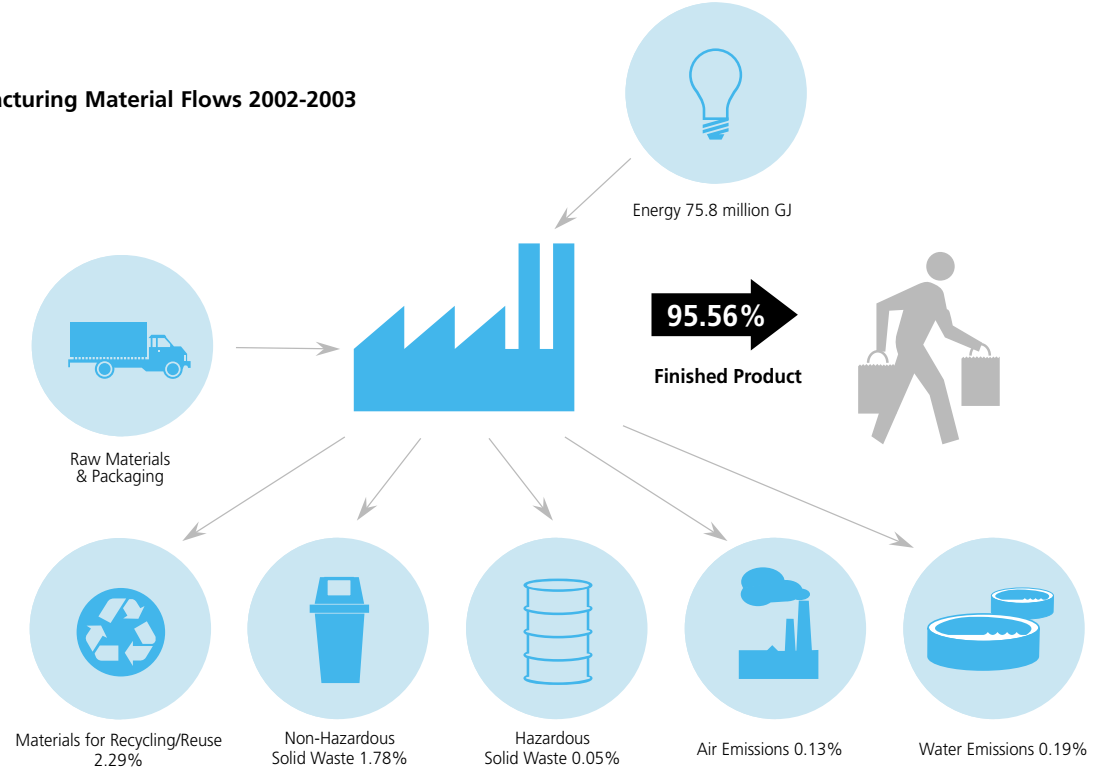
The very nature of producing and using products causes P&G and consumers to use resources and to generate wastes and emissions. P&G is committed, through its Environmental Quality Policy, to reducing or preventing this whenever possible.

With products that are effective and of good value, P&G aims to provide social and economic benefits that improve the lives of the world's consumers. We do this via:
- introducing innovative technologies
- generating employment in the communities in which we do business
- supporting local and national economies through taxes, contributions, and purchases
- increasing shareholder value
- improving the health and hygiene of consumers through our products and information on their use

Environmental

As the diagram illustrates, P&G's use of material resources is highly efficient. The vast majority of materials are converted to products, and the output of manufacturing waste (which is largely non-hazardous) is low.

Manufacturing Material Flows 2002-2003



Manufacturing Resource & Waste Summary by Global Business Unit (GBU)

All units are in thousands of metric tonnes unless otherwise noted.†	Totals			2003 Global Business Unit Detail*				
	2003	2002	2001	**BFC**	**FHC**	**BC**	**HC**	**SB**
Production								
Product Shipped	**17,055**	16,151	15,808	3,503	9,178	1,573	1,218	1,583
Raw Materials from Recycled Sources	**119**	208	208	119	0	0	0	0
Waste								
Generated Waste	**794**	798	910	428	124	164	43	35
Percent Recycled / Reused Waste	**52%**	54%	51%	48%	57%	60%	47%	36%
Disposed Waste								
Solid Waste								
Non-Hazardous	**317**	304	376	204	40	40	16	17
Hazardous	**9**	19	13	1.3	4.6	1.9	1.1	0
Effluents (Excluding Water)	**35**	23	36	4.4	6.0	19.8	1.1	3.7
Air Emissions**	**24**	20	15	11.2	2.9	3.4	4.8	1.1
Other								
Energy Consumption (10^5 GJ)¶	**758**	706	717	487	135	66	40	30
Greenhouse Gas Emissions** ¶	**3,122**	3,148	3,092	2,198	444	298	113	69
Water Consumption (million cubic meters)	**85**	85	88	55	13	13	2	3
SARA Releases (metric tonnes)***	**1,567**	1,274	1,722	41	1,008	102	416	0

† 1 metric tonne = 1,000 kg = 2,205 lbs.
* BFC = Baby & Family Care; FHC = Fabric & Home Care; BC = Beauty Care; HC = Health Care; SB = Snacks & Beverages
** Air emissions include particulates, SO_2, NOx, CO, and VOC whereas greenhouse gas emissions include CO_2 from fuel combustion sources.
*** Releases defined in the U.S. Superfund Amendments and Reauthorization Act (SARA) by the U.S. Environmental Protection Agency.
¶ Energy use and greenhouse gas emissions have been restated using conversion units recommended by the U.S. Department of Energy in its 1605 reporting initiative. The major change was in the conversion of electricity from kilowatt hours to gigajoules (GJ). Actual energy use didn't change. The greenhouse gas emission factors changed slightly.

Energy

Energy eco-efficiency*, as measured by production units per gigajoule (GJ), improved 1 index point. Improvements were throughout the business units.

Results are shown in absolute value by business unit and also presented in eco-efficiency format. Our eco-efficiency is more than 53 percent greater than in 1990.

As part of our ongoing efforts to minimize losses, the Company does a loss analysis at the site level. Losses are defined as anything not shipped out the door as product, including energy used. When energy is identified as a major loss at a site, it receives intense focus for loss reduction.

As indicated in the table's note on page 44, energy consumption numbers have been restated. Conversion units have been changed to be consistent with U.S. Department of Energy guidance in its 1605 reporting scheme.

* Eco-efficiency data used throughout this report is based on the framework developed by the World Business Council for Sustainable Development.

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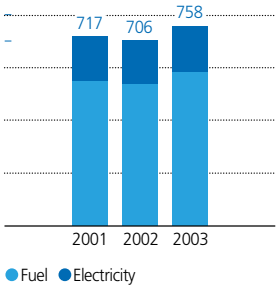
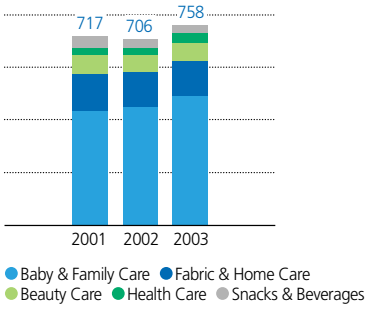
To learn more, please visit:
http://www.wbcsd.ch/templates/TemplateWBCSD4/layout.asp?MenuID=1

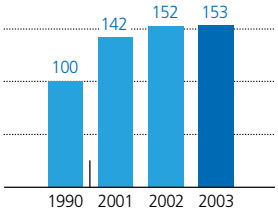
Energy Consumption
(by type, 10^5 GJ)



Energy Consumption
(by GBU, 10^5 GJ)



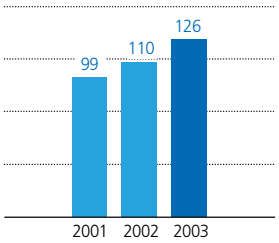
Energy Eco-Efficiency
(global production units / gigajoule, indexed vs. 1990)



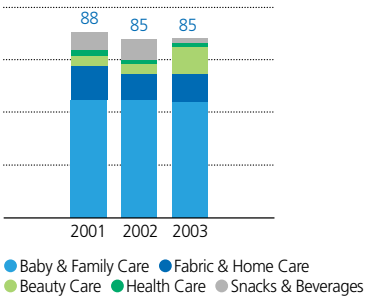
Water

P&G sites began tracking their consumption of water four years ago. Water use has stayed the same this year, resulting in the eco-efficiency going up 16 index points due to increased production. Efforts to reduce water consumed have started showing results. Between 2002 and 2003, one of our larger sites in Cincinnati, Ohio, moved from Snacks and Beverages to Beauty Care. This changed the shape of the bars but didn't change the water consumption.

Water Consumption Eco-Efficiency
(global production units / cubic meters, indexed vs. 1998-1999)



Water Consumption
(by GBU)



Neuss, Germany, Water Reduction Project
At P&G's Family Care site in Neuss, Germany, engineers created an innovative way to recycle water and the chemicals in the water. It was a joint project with the local government, which provided a full refund for the project costs by waiving effluent fees.

The project entailed adding a 40-micron polyester mesh filter on the discharge of the plant's paper machine. The resulting clean water was reused in the drying process to offset use of well water. Other uses of the reused water were for cooling water, sealing water for pumps, and cleaning nozzles. The filtrate caught on the filter was reused in the feed stock. The project reduced chemical oxygen by 20 percent and water usage by 35 percent. It yielded a benefit for the environment as well as cost savings for the Company.

Emissions, Effluents, and Wastes

Greenhouse Gas

Every company in every sector of the economy has a role in controlling greenhouse gas emissions. While P&G is not an energy intensive company, we are stepping up to do our part. P&G is committed to energy efficient programs, and we participate in voluntary programs.

P&G's eco-efficiency of greenhouse gas has increased by 19 index points. Each point represents the amount of product leaving our plants per metric tonne of CO_2 emissions. The main reasons for this year's improvement are less reliance on coal burning and the overall efforts to reduce energy usage.

In addition, absolute CO_2 emissions are much the same as last year. A slight correction has been made in CO_2 conversion factors to be consistent with U.S. Department of Energy 1605 guidance.

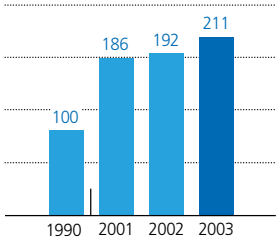
The other major change in reporting was to follow the WBCSD protocol.* This involves how acquisitions and divestitures are handled in determining the base. For example, sites that are sold are removed from base year emissions.

* Protocol data used throughout this section is based on the framework developed by the World Business Council for Sustainable Development.

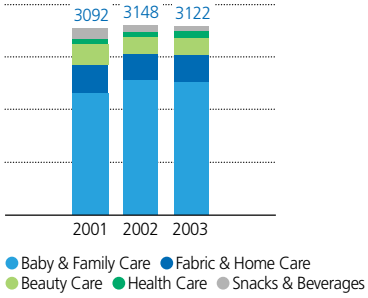
on the Web

To learn more, please visit:
http://www.wbcsd.ch/templates/TemplateWBCSD4/layout.asp?MenuID=1

Greenhouse Gas Emissions Eco-Efficiency
(global production units per metric tonne of CO_2, indexed vs. 1990)



Greenhouse Gas Emissions
(thousand metric tonnes by GBU)



CLIMATE R.E.S.O.L.V.E.
Responsible Environmental Steps, Opportunities to Lead by Voluntary Efforts

Climate R.E.S.O.L.V.E.
P&G is pleased to be an active participant in Climate R.E.S.O.L.V.E. (Responsible Environmental Steps, Opportunities to Lead by Voluntary Efforts), an ambitious and unprecedented initiative by some of America's largest companies to voluntarily control greenhouse gas emissions that have been linked to global warming.

Climate R.E.S.O.L.V.E. was developed by The Business Roundtable in response to President Bush's challenge to the business community to voluntarily pursue operational improvements that will help reduce overall greenhouse gas by 18 percent by 2012.

P&G and other companies participating in Climate R.E.S.O.L.V.E. have pledged to develop innovative and cost-effective methods for mitigating greenhouse gas emissions and to apply their best management thinking to minimizing the risk of climate change while fostering continued economic growth.

on the Web

More information about Climate R.E.S.O.L.V.E. can be found at: http://www.brt.org

Total Waste for Disposal

Total waste for disposal is our key management measure to keep waste under control. Total disposed waste comprises the sum of non-hazardous and hazardous solid waste, plus effluent measured as COD and air emissions. It excludes recycling waste. This measurement system has been in effect since 1990.

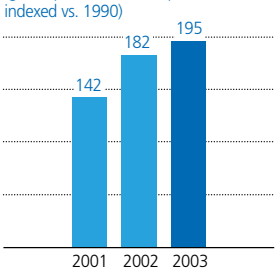
Our disposed waste had a 13 point increase in eco-efficiency. This is mainly due to much less demolition waste and ongoing efforts to reduce waste in all areas.

Unique Way to Recycle

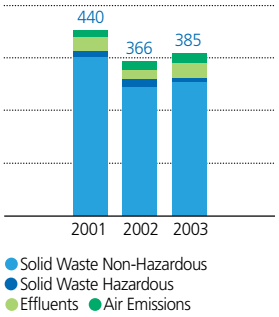
Taiwan's Ching-Shui plant, with its extensive recycling operations, has found a unique and creative way to recycle paper sludge and fibers.

The plant recycles sludge and fibers into paper "money." These small squares of yellow paper, printed with red Chinese figures, are sold in packs. Consumers burn these papers in religious shrines to pay homage to Buddha. In a society with limited wood by-products, this practice conserves resources while supporting a local custom. Instead of paying for handling the sludge, the Ching-Shui plant gains income by selling the sludge, yet still complying with local environmental regulations.

Waste Disposed Eco-Efficiency
(global production units per metric tonne of waste, indexed vs. 1990)



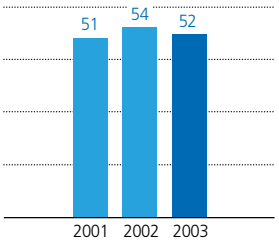
Waste Disposed
(by type of waste)



Waste Returned to Process or Market

The percent recycled was nearly the same (54 percent versus 52 percent), while revenue increased from $20 to $22 million.

Waste Recycled or Reused
(percent of waste)



Diapers and Batteries, Closing the Loop

P&G's Cabuyao plant in the Philippines scored a "win" for the environment by effectively managing its scrap diaper wastes and used lead-acid batteries.

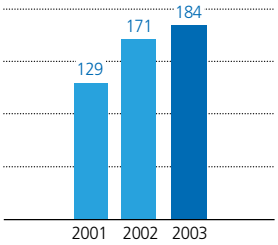
The plant did this by sending 700 metric tonnes of diaper line scraps to a local cement plant to be reused as supplementary fuel. In addition, the plant donated batteries from trucks and heavy equipment to a local environmental NGO for recycling.

These waste disposal plans not only freed up valuable storage areas for the plant, but they also demonstrate that alternative and less costly waste management options are available when responsible stakeholders join hands in closing the loop.

Non-Product Output to Land – Non-Hazardous

Overall, the non-hazardous waste disposed to landfill has decreased this year, resulting in a 13 index point increase in eco-efficiency. There has been considerably less demolition waste this year, and other waste reductions have been made. P&G continues to find innovative recycling methods.

Non-Hazardous Solid Waste Eco-Efficiency
(global production units per metric tonne, indexed vs. 1990)



Albany Plant Landfill Reduction

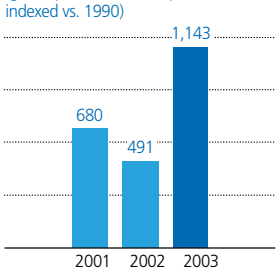
The Albany, Georgia, USA, Baby and Family Care plant installed a new sludge dewatering system at a cost of $1 million. The project reduced over 2,300 tons (a 52 percent reduction) that previously went to landfill. It also saved on energy, fresh water used, and maintenance. Plus, it eliminated the need to use a Bounty parent roll as a filter medium, allowing the material to be used in finished product. The project pays out in less than a year and a half.

Hazardous Solid Waste Disposed

Hazardous waste has decreased (shown as higher eco-efficiency). The major reduction was from three plants, but all for different reasons. One site eliminated the source, another found a way to recycle, and the third reduced the number of cleanups associated with its processes.

Hazardous wastes are defined by regional policies and local rules, so they vary from region to region. In the United States, a strong focus on reduction, recycling, and material substitution has reduced the amount of hazardous waste requiring disposal over the past three years. To further reduce risk, the number of approved hazardous waste disposal sites that U.S. plants can use is limited. Similar programs have been started in many regions of the world.

Hazardous Solid Waste Eco-Efficiency
(global production units per metric tonne, indexed vs. 1990)

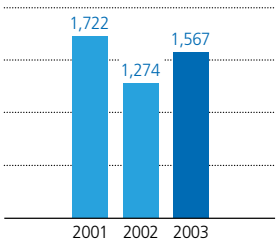


SARA 313 Releases (United States only)

U.S. P&G facilities report annually on the release of toxic chemicals to the air, water, and land. These releases are defined in the U.S. Superfund Amendments and Reauthorization Act (SARA) by the U.S. Environmental Protection Agency. The purpose of this documentation (referred to as section 313) is to report publicly the releases and transfers of a set list of hazardous chemicals.

The amount of SARA 313 releases has increased after three years of decreases. The increase was related to production increases at sites that use these chemicals.

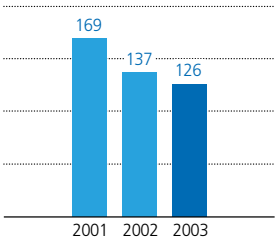
SARA 313 Releases
(global total metric tonnes released or transferred)



Air Emissions

Each site monitors total suspended particulates, volatile organic compounds (VOCs), carbon monoxide (CO), nitrogen oxides (NOx), and sulfur oxides (SOx). The total amount of air emissions released has increased 20 percent, resulting in a lower eco-efficiency. Higher air emissions translate to lower eco-efficiency due to the units being production (stat units) per metric tonne of emissions.

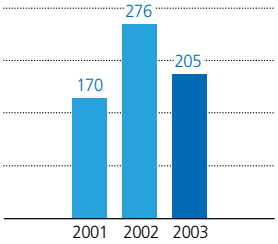
Air Emissions Eco-Efficiency
(global production units per metric tonne, indexed vs. 1990)



Effluents to Water

Wastewater COD (chemical oxygen demand) went up more than 50 percent, resulting in a much lower eco-efficiency. The reduction in eco-efficiency was in part due to a one-time special cleanup at a large site. This was part of a sewer separation project.

Wastewater COD Eco-Efficiency
(global production units per metric tonne of COD, indexed vs. 1990)



Safe Drinking Water

The PuR brand in the Philippines worked with various organizations on the island of Cebu to increase awareness of the importance of safe drinking water.

Working in partnership, PuR and the local government of Cebu declared August 2002 as Water Safety Consciousness Month. Public service announcements on safe water aired on radio and TV. In another partnership, PuR and the National Confederation of Barangay (groups of neighboring villages) Health Workers educated mothers on contaminants and methods of ensuring clean water. Collaboration by PuR and the Water Resource Center of the University of San Carlos produced a symposium on improving access to clean drinking water. Guests included representatives from the U.S. Centers for Disease Control and from the P&G Health Sciences Institute, as well as former Philippines Health Secretary Juan Flavier.

Asian Sites Reduce Wastewater

Two wastewater projects – at the Bangkok, Thailand, and Shiga, Japan, sites – reduced wastewater strength while saving water. Treated wastewater was beneficially reused for fire protection and for watering the lawn.

Audit Programs

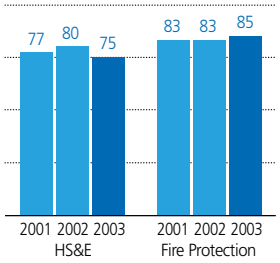
P&G's internal standards go beyond legal compliance and apply to all its facilities worldwide. The fundamental philosophy is to have the same standards worldwide, implemented by trained professionals at all sites and audited each year using a consistent, comprehensive approach. The metrics used are consistent with that philosophy. Charts show the performance of Health, Safety & Environment (HS&E) and Fire Protection.

P&G HS&E audit programs are designed to ensure compliance with federal, state, and local regulatory requirements as well as corporate environmental standards and procedures. Audit findings are reported promptly to the business management teams, who must address and correct all issues in a timely manner.

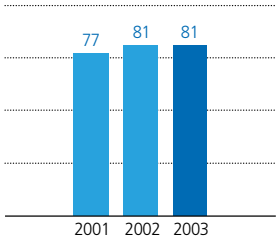
Audits measure performance against a mandatory set of standards and standard operating procedures. The target performance is eight or better on a ten-point scale. HS&E results have decreased slightly from last year, while Fire Protection performance has increased.

The Company reviews its sites on a frequent basis. The chart shows percent of sites receiving an audit this year.

Percent of Sites
with Audit Scores > 8.0



Percent of Sites Conducting
Annual Audits



Compliance with Laws and Regulations

There are numerous health, safety, and environmental requirements worldwide. Facilities are subject to the emission limits and operating requirements specified in these statutes, regulations, laws, and permit requirements. It is P&G's intent to comply with both the letter and the spirit of statutes, regulations, laws, and permit requirements. Identified compliance issues are treated seriously, and all non-compliance matters are resolved as expeditiously as possible.

The following table lists global data on environmental, transportation, and worker health and safety violations and interventions.

	2003	2002	2001
Number	**67**	45	63
Fines	**$154,756**	$39,026	$77,070

Both fines and Notices of Violations (NOVs) have increased this year. Two incidents account for almost 80 percent of the fines. Both were related to recordkeeping. Procedures have been reinforced to provide more effective monitoring.

A breakdown of the NOVs and U.S. Occupational Safety & Health Administration (OSHA) interventions follow:

	Number	Fines
Water-Based	38	$3,275
Air-Based	20	$129,031
Solid Waste-Based	0	$900
Paperwork	1	$0
Transportation-Based	8	$21,550
Worker Safety (for U.S. OSHA, the number is 0)	0	$0
Total	67	$154,756

OSHA Experience

Over the past decade, our safety performance has continued to improve on a global basis. In the United States, where we are regulated by the Occupational Safety and Health Administration (OSHA), our experience has been consistent with the global trend. Over the past six years, we have averaged only $141 per year in OSHA penalties and received only one serious citation. We have not had any penalties in more than two years. This is one indicator of our commitment to employee health and safety.

Environmental Liabilities
P&G is subject to contingencies pursuant to environmental laws and regulations that may require the Company, in the future, to take action to correct the environmental effects of prior manufacturing and waste disposal practices. Accrued environmental liabilities for remediation and closure costs were $34 million and $39 million on June 30, 2003, and 2002, respectively. In management's opinion, such accruals are appropriate, based on existing facts and circumstances. Current year expenditures were not material.

P&G Norway Supports WWF
In the summer of 2003, P&G Norway partnered with WWF Norway, an independent and private global organization focused on conservation of animals and plants, to raise funds for environmental protection in Norway. Consumers entered a contest via entry forms found in stores that sell Pampers, Alldays, Always, and Tampax. Winning consumers donate their P&G-funded prize of NOK$10,000 (US$1,400) to a WWF project of their choice. Through consumers and stores, P&G donated NOK$300,000 (US$42,000) to WWF.

on the Web

For more information, please visit: http://www.wwf.no

Pilar Plant Receives Environmental Recognition
Argentina authorities gave P&G a diploma for being an environmentally responsible company.

Economic

on the Web

Additional economic data can be found in our financial report at:
http://www.pg.com/content/pdf/01_about_pg/01_about_pg_homepage/about_pg_toolbar/download_report/annual_report.pdf

Economic Development
Innovation is P&G's cornerstone. More than $1.5 billion is invested annually in research and development – the largest amount among consumer product companies worldwide. We have more than 28,000 patents worldwide, and we average more than one new patent per day.

These intellectual assets are of tremendous value to P&G. But some are not being fully realized; we invent more than we can commercialize. Through our External Business Development & Global Licensing group, we continue to identify non-strategic proprietary technologies which, when developed to their full potential, can yield sustainable revenue sources and bring important technologies to the market that enhance the lives of the world's consumers.

Through technology donations, universities and other not-for-profit research institutions can receive these off-strategy, yet highly valuable, patents and technology know-how, and provide the research and development needed to bring them to commercial reality. P&G is excited to see these technologies reach their full potential. Each donation fosters applied research development work at universities and research institutions and can eventually deliver new revenue streams to the universities through out-licensing and/or start-ups. As part of the donation, P&G receives a tax benefit for our shareholders.

Financial Highlights

Amounts in millions except per-share amounts	**2003**	2002	2001
Net Sales	**$43,377**	$40,238	$39,244
Net Earnings	**5,186**	4,352	2,922
Before-Tax Earnings	**7,530**	6,383	4,616
Total Assets	**43,706**	40,776	34,387
Basic Net Earnings Per Common Share	**3.90**	3.26	2.15
Dividends Per Common Share	**1.64**	1.52	1.40

Technology Donations, Fiscal Year 2002-2003

Through P&G's technology donations, we contribute valuable patents, seed money, time, and resources to U.S. universities and research institutions for the enhancement of education and the long-term benefit of society. These nonprofit groups can continue the research efforts, providing a venue for development of potential new products and technologies. Listed is an overview of technologies donated last year, along with their sustainability implications.

Technology	Recipient	Sustainability Implications
Absorbent Surface Grafted Fibers	Institute of Paper Science and Technology	A tissue-towel product with significantly improved absorbency while retaining strength and softness
Cancer and Viral Therapy	University of Arizona Foundation	A series of compounds that would be used to treat cancer, HIV, and hepatitis C
Enzyme Modified Cellulosic Fibers	North Carolina State University	An enzyme treatment that will allow fibers in tissue-towel products to become more flexible, comfortable, and soft
H2 Antagonist	Boston University	Simple mouth rinse which prevents and treats periodontal disease
Healthy snack food	Mid-America Commercialization Corporation	Healthy and delicious snack food that fits the U.S. Department of Agriculture's "Health Pyramid" profile and has a satiety effect while also satisfying a craving for a sweet or savory snack
Sulfur Dye Protection	University of Nebraska	Treated sulfur dye textiles that will retain their dyed properties when laundered specifically with Tide with Bleach
Termite control	University of Florida Research Foundation	Effective and inexpensive termite bait station that can be used by a homeowner to eliminate termite invasion, thereby protecting the structure of the home
Textile Dyeing	North Carolina State University	A superior, economical reactive textile dye that also offers environmental benefits to the dye manufacturer and dye house

Global Purchases

P&G is a global company. We produce our brands in more than 115 plants in 43 countries around the world. This year, P&G purchased more than $26 billion in materials and services to manufacture and market our products. We employ locally and purchase the majority of our raw materials within those regions where we manufacture our products. Our purchasing professionals understand and participate in both global and local markets to acquire the materials and services required to make our products.

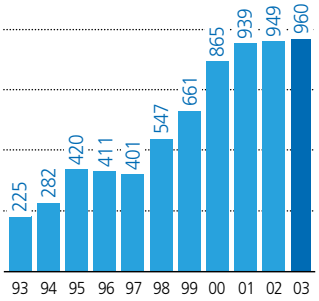
Supplier Diversity Program

In 1972, P&G established a minority supplier program to identify and work with minority-owned businesses. Today, the Supplier Diversity Program has nine full-time people dedicated to this work, with sponsorship from two Company executives.

As America's population moves toward greater percentages of minorities, companies must ensure the economic health of these potential consumers. These suppliers provide a strong economic engine that helps build the minority community.

P&G's Supplier Diversity purchases during fiscal year 2002-2003 in the United States will exceed $950 million, accounting for about 8 percent of P&G's total U.S. spending.

Supplier Diversity Spending
(amounts in millions of dollars)



Our ongoing commitment to investing in minority- and women-owned business enterprises has resulted in increasing expenditures. During the 1990s, P&G spent more than $4 billion. Fiscal year 2002-2003 expenditures will exceed $950 million dollars.

P&G Sets Supplier Diversity Goal to Spend $1.5 Billion Annually by 2005

P&G continues a steady commitment to economic inclusion for minority- and women-owned businesses by pledging to spend $1.5 billion annually by 2005. By doing business with diverse suppliers, we gain key insights into consumer behavior and preferences as a value-add to the high-quality services our suppliers are already providing.

P&G is a member of several strategic organizations dedicated to expanding supplier diversity development, including the National Minority Supplier Development Council, the U.S. Hispanic Chamber of Commerce, and the Women's Business Enterprise National Council.

P&G Supports Cincinnati's Empowerment Zone

In P&G's corporate headquarters city of Cincinnati, Ohio, there is an "empowerment zone" – a geographic area receiving federal funds for business and workforce development. P&G looks for opportunities to provide work for businesses in the Zone.

This year, P&G made a $30 million commitment to award business, over the next three years, to Valu-Pac. This minority-owned company is constructing a manufacturing operation in the Empowerment Zone. For P&G, Valu-Pac's new facility will fill bottles with liquid and dry Beauty Care products. This work will require Valu-Pac to create between 150 and 200 new jobs.

Social

Wages
P&G supports paying employees a competitive wage, as benchmarked against other leading companies. Consistent with our principle of valuing personal mastery, we reward employees for improving their skills and capabilities.

Benefits
P&G is a recognized leader in employee benefits. The Company's benefits have been developed to help protect the financial security of employees. These benefits include comprehensive coverage for health care, generous vacation and holiday time, and other work/family balance benefits, including flextime, child care leave, and less-than-full-time schedules.

Site HS&E Leadership Training
A key indicator of HS&E system capability is the percentage of sites with trained and qualified leaders. Leadership candidates train on site for an extended period prior to attending a week-long internal school where their knowledge and ability to handle special situations are assessed. Only then are candidates considered qualified. This year, the percent of sites with qualified leaders has increased slightly. The number of sites with leaders qualified in Fire Protection has stayed the same.

HS&E Program Costs
There are two aspects of Health, Safety & Environment (HS&E) program costs:
- Capital costs for new HS&E equipment
- People and operating costs for existing facilities

Capital costs to ensure compliance at our facilities for 2002-2003 were $20.1 million, slightly less than the previous year. This included the purchase and construction of pollution control equipment such as wastewater pre-treatment systems and air emission controls.

HS&E total costs for operating existing sites in 2002-2003 were $173 million. This is about $2 million less than last year. Operating cost does not include $21.8 million in revenue gained from recycling.

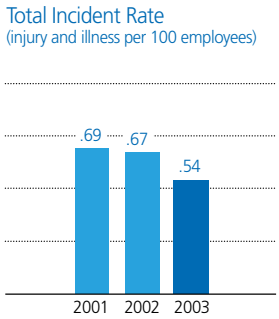
Industrial Hygiene and Safety
The health and safety of P&G employees are paramount in the Principles of the Company.

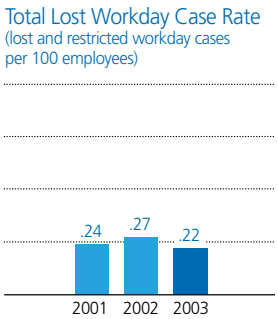
Nothing we do is worth getting hurt for.
Safety and health can be managed.
Every illness and injury could and should have been prevented.
Safety and health are everyone's responsibility.

The Company tracks and reports two metrics for worker safety: total incident rate (TIR) and total lost workday case rate (LWDC). TIR includes all cases that result in loss of consciousness, lost workdays, restriction of work or motion, medical transfer to another job, or medical treatment beyond first aid. LWDC includes all cases that involve days away from work or days of restricted activity beyond the day of injury or onset of illness.

The TIR target for sites worldwide is fewer than 1.5 cases per 100 employees. To achieve this rate, programs to address employee safety – such as safe behaviors, ergonomics, and confined space entry – have been implemented. No target has been set for LWDC because of our belief that sites must manage incidents that potentially could lead to lost workdays.

The following data is based on criteria established by P&G for use at all worldwide facilities and is representative of all our manufacturing and technical centers worldwide. This year's total incident rate declined to .54 incidents per 100 employees while the lost workday cases has decreased to .22 cases per 100 employees.





Sustainability in Action

Sustainability in Action

In order for societies to develop and sustain themselves, their people need to be healthy and educated. Because of technologies developed for its products, P&G has expertise in health, especially regarding children and women. For example, P&G's research, decades ago, into calcium in water led not only to better laundry products but also to breakthroughs in treatments for bone conditions and dental health.

Improving the health of children helps ensure that the next generation can further the progress made by the current generation.

The Company also has a long-standing interest in education, which is critical to the advancement of developing nations. In developed nations, education creates a qualified workforce able to maintain and improve the economic health of the country.

Purifying Water – Saving Lives
The need for clean water is one Phil Souter had seen firsthand during his travels. Working at the P&G technical center in Newcastle, U.K., in collaboration with Jean Wevers and his group in Brussels, Belgium, on a laundry product, he had an idea: Could not the same technology used in almost every laundry product act as a "dirt magnet" for drinking water? This technology is frequently employed in municipal drinking water treatment plants. So why not develop a simple, effective, and affordable in-home treatment product? Thus, PuR Purifier of Water was developed.

The striking visual results from the first prototype further convinced Phil and the PuR team that this little sachet could be a successful consumer product. The compelling nature of the test results, coupled with the clear-cut consumer and humanitarian needs, gave them all the encouragement needed to overcome any hurdles encountered along the way.

For more information on PuR, please visit our Alliances section on page 62.

PUR®
Purifier of Water

"Watching people drinking out of some of the water sources we've tested really brings home the importance of what we are trying to achieve. The first time I actually saw people treating their water with our product in their own homes in Guatemala will always stand out as a special memory. It really helps focus your mind on the end benefit you are working towards and strengthens your determination to achieve it, especially as the humanitarian potential of this type of technology is so abundantly clear."
– Phil Souter

Women's Health

P&G is in the forefront of bone research and has developed a breakthrough drug – Actonel – which can halt osteoporosis and, if treated at an early stage, even reverse it. Osteoporosis often leads to hip fractures, which can have complex health effects, even resulting in death.

In Canada, for example, it is estimated that 27,000 people – mostly women – will suffer a hip fracture associated with osteoporosis during 2003. Of these, more than 5,000 will die. Osteoporosis is a similar problem in the United States and Europe as well. Studies on both continents show that the vast majority of women who suffer hip and spinal fractures don't get tested for osteoporosis and don't receive medicine to prevent further fractures.

P&G initiates and cooperates in stakeholder programs to help both women and their doctors understand osteoporosis and what can be done to treat it.

OSTEOPOROSIS

Canadian Quality Circle Project

P&G's Actonel brand has developed a unique partnership with the Osteoporosis Society of Canada, the Ontario College of Family Physicians, the University of Manitoba, several prominent osteoporosis experts, and Aventis Pharma on the Canadian Quality Circle Project to better understand and address any barriers to the optimal treatment of osteoporosis.

Based on an earlier Quality Circle model initiated in Germany, the Canadian Quality Circle Project will help educate physicians through a state-of-the-art disease management approach. The objective is to help doctors identify gaps in patient care within their individual practices and in their communities, learn about the latest treatment guidelines and develop strategies to manage patients with osteoporosis more effectively.

The Canadian Quality Circle Project group hopes that earlier and more widespread diagnosis and treatment of osteoporosis will prevent significant numbers of hip and spinal fractures and thus save lives.

Make Osteoporosis Matter

The garden of P&G's Cincinnati headquarters was the site of a June event designed to educate women about osteoporosis. The Make Osteoporosis Matter (MOM) event was sponsored by P&G and Aventis U.S., which have joined in an osteoporosis education effort called The Alliance for Better Bone Health.

The highlights of the festival-style event were free osteoporosis screenings and gift bags containing P&G health and beauty products. Through exhibits and experts, attendees received information about exercise, risk factors, and diet.

Awareness is Love

Because of its general interest in women's health, P&G became involved in a program to educate minority women in the United States about early detection of breast cancer. Lower-income Hispanic and African-American women have the highest breast cancer mortality rates in the United States due to late diagnosis. But if breast cancer is detected early enough, a woman's chance of surviving five years is 95 percent.

Partnering with the Susan G. Komen Foundation, P&G created the Awareness is Love program. It featured Breast Cancer Awareness Days throughout Texas. At these events, minority women without health insurance received cancer screenings as well as a kit including instructions on performing a self-exam, information on myths and facts about breast cancer, and a video CD with inspirational messages from Latina singer/songwriter Soraya. Soraya, who has been treated for breast cancer herself, has appeared at activities sponsored by P&G and the Komen Foundaton, spreading the message about the importance of early detection.

The Awareness is Love program also provided retailers with informational literature, called "Mamagrams," to be given free to patrons.

For more information on the Susan G. Komen Foundation, please visit: http://www.komen.org/

Children and Their Families: Raising the Next Generation

P&G has a great deal of expertise to offer in the area of children's health and education. This is especially important in parts of the world where children do not receive the nutrition and health care necessary for proper growth and development nor the education needed to participate fully in the workforce.

Furthermore, P&G participates in programs that assist families and elderly people who lack the fundamentals of a safe and comfortable life.

Steps Toward a Healthy Future

P&G funds and participates in various programs to give children a good start in life.

Pampers Partners with the Syrian Ministry of Health

Pampers has partnered with the Syrian Ministry of Health in a long-term effort to improve the health and development of Syria's infants and young children. Pampers is the first private diaper brand to work with the Syrian government in this area.

The effort, begun in July 2002, involves improving services at Syria's national health care centers plus educating parents.

At ten major health centers in Damascus and Aleppo, P&G has refurbished the buildings and provided needed medical equipment. Company funding has allowed the Ministry of Health to provide up-to-date training for health center staff. P&G also donated toys for the waiting areas.

All ten centers now have resident "Pampers ladies" who give advice on baby care and breast-feeding as well as diaper samples.

Additionally, in a short-term effort with the objective of reaching 90 percent of parents with children under 4 years old, Pampers joined with the Syrian Ministry of Health in the National Vaccination Campaign. Between October and December of 2002, Syrian parents saw billboards, posters, and television advertising about vaccination. They also were given cards to record their children's vaccination histories.

Langfang Children's Village

In China, P&G's Beijing Technical Center is partnering with Langfang Children's Village, which cares for some of China's most needy little citizens. The Langfang Children's Village takes in "at risk" orphans, provides medical and surgical treatment, and cares for them in a family atmosphere until they can be adopted.

The Beijing Technical Center recently donated six washing machines plus more than 250 cases of Pampers. In addition to this material support, the Beijing Technical Center donates its human resources, with several employees regularly making the one-hour trip to Langfang to help with projects, bring donations, and play with the children.

Iams & Clairbois Lancy Partnership

The Iams ClairBois partnership demonstrates the benefits of pet therapy by bringing Talisker, a Bernese Mountain Dog, and his human friends from P&G Iams to ClairBois Lancy to visit all the children in the home.

ClairBois Lancy is one of three ClairBois homes specifically devoted to disabled children in Switzerland. ClairBois Lancy provides a specially adapted home and school that caters to the children's varied lifestyle and educational needs.

The benefits of pet therapy are well established in many countries, particularly the United States and the U.K. However, in Switzerland there are very few animal-assisted therapy programs.

Fairy Dish Liquid Helps Fight Against Hunger
Spain's Fairy Dish Liquid and the NGO "Acción Contra el Hambre" (Action Against Hunger) partnered together to fight hunger in African countries. The campaign was called "Ahora Fairy da para un plato más" (Now Fairy gives for one more plate). The "plate" is the equivalent of one meal.

One meal was donated to a hungry child for each bottle of Fairy sold in Spain during a two-month period. The meals contained the exact quantity of nutrients necessary to restore an undernourished child to a "no-death-risk" situation.

The Fairy Dish Liquid brand and consumers donated more than 4.5 million meals to these needy children.

Crest Healthy Smiles 2010
Hundreds of thousands of American children received dental services in February on the first Give Kids a Smile/National Children's Dental Access Day. This nationwide effort for children from low-income families is sponsored by the American Dental Association, P&G's Crest Healthy Smiles program, state and local dental societies, and thousands of individual dentists.

On Dental Access Day, children received free oral health education, screening, and treatment services. Importantly, the program aims to increase awareness of the vast amount of untreated dental disease among American children.

P&G created the Crest Healthy Smiles 2010 program three years ago, with the goal of improving the oral health of at least 50 million American kids by the year 2010.

on the Web

For more information, please visit:
http://www.cresthealthysmiles.com/

Safeguard Hand Washing Program
Mexico's Safeguard bar soap has been running a multi-element campaign to promote hand washing among children. Hand washing has been demonstrated to have a significant impact in helping to reduce diarrhea and the spread and frequency of infectious diseases. The program operates as a partnership, with Safeguard providing expertise and materials while counting on its media, government institutions, and education partners to reach people.

Nationally known newscaster Lolita Ayala, who has a foundation for underprivileged children, endorses the overall campaign. Safeguard donates a portion of sales to the Solo por Ayudar Fund.

The campaign employs these partners:

- Mexico's Institute of Social Security, which is using its infrastructure to distribute materials on hand washing. The goal of this portion of the program is to reach more than 2 million rural residents during the first 12 months. If Safeguard can reach this goal with good results, it plans to expand the program to reach 11 million people.
- More than 2,000 Mexican radio stations, which have been running information on hand washing.
- Mexico City's Children's Museum is featuring an interactive computer game about bacteria that children can use at its main site and also in its traveling show.
- A puppet show promoting good hygiene to more than 80 percent of first-grade students in three cities, as well as in Merida's most popular plaza.

Building a Better Educated Population

Supporting education is a top priority for P&G. The Company believes its efforts in education can help build a better future for everyone.

I Can Learn
In Greece, private schools are benefiting from an I Can Learn kit developed by Bonnie Miller, wife of the U.S. Ambassador to Greece. The Greek Ministry of Education endorses the educational materials kit. The kit helps teachers and parents recognize the symptoms of learning disabilities and attention deficit disorder.

The program is limited to private schools as all educational material for public schools in Greece is solely produced and distributed by the Ministry and sponsorship by private companies is not allowed.

P&G's sponsorship involves financial support for the development and printing of the I Can Learn material and provides assistance in communication, marketing, and training.

HOPE Schools
In Pakistan, many children in city slums and rural areas cannot afford to go to school or do not have access to a school. This results in a high illiteracy rate.

Seeing a way to make a significant improvement in this area, P&G worked on a school development project with a Karachi-based NGO called HOPE (Health Oriented Preventive Education). A key HOPE activity is running home-based schools providing basic education to children who can't otherwise get it.

P&G financing made it possible for 10 new schools to open and for 13 existing home schools to continue. All 23 schools are called P&G HOPE Schools.

A key teaching in P&G HOPE Schools concerns the health benefits of safe drinking water and good hygiene. Through education, significant reductions have occurred in the incidences of diarrhea, impetigo, and respiratory diseases.

A school boy reciting a poem for the inaugural ceremony of the P&G HOPE Schools project.

Junior Achievement
P&G's Toronto office provided a record number of volunteers – 133 – to Junior Achievement (JA) this past year. JA volunteers teach business skills and life skills to school children.

Reaching over 1,700 students in 67 classrooms, P&G Toronto's volunteers have been involved in these JA programs:

- Economics of Staying in School, featuring activities that lead teenagers to conclude "staying in school makes cents."
- Diversity, focusing on the value of diversity in the workplace, at home, and in school.
- The Company Program, in which high school students learn from a team of six P&G mentors about operating a company, from incorporation to liquidation. The program includes skills such as communication, problem solving, team building, time management, basic accounting, and creativity.

A further commitment to JA includes providing a P&G employee to the JA Board of Directors as an active member.

P&G Toronto has worked with Junior Achievement since 1994. This work has earned awards for individual students as well as national and regional awards for the Company.

Champilá School

P&G's commitment to education has become critical recently in Guatemala, where declining coffee prices have threatened coffee farmers' livelihoods. P&G's coffee brands – Folgers and Millstone – have identified an important way they can help the next generation there.

A community of coffee farmers in Huehuetenango has a new school, thanks to a partnership among Folgers and Millstone, a local NGO called FUNRURAL (Fundación para el Desarrollo Rural/Foundation for Rural Development), and Waelti-Schoenfeld Coffee Exporters.

The Folgers/Millstone financial contribution was used for construction and equipment costs and to operate the school during its first two years. FUNRURAL is overseeing the school's operation during this period. Waelti-Schoenfeld managed construction. A local farm owner donated the land. The community ultimately will become responsible for the school's operation.

Before Champilá School was built, children in this 80-family community had to walk more than ten miles to go to school. Because of the distance, many of the children attended sporadically. Now, in their own community, they have a 143-square meter school with three classrooms equipped with desks, chalkboards, books, and other school supplies.

For more information on our coffee initiatives, please see pages 27, 28, 63.

Champilá School brings an opportunity for better education to the children of coffee farmers.

Ariel/Awladi Partnership

Some 250 orphaned and homeless boys in Cairo, Egypt, soon will have a place to live, thanks to a partnership between P&G's Ariel detergent and the Awladi (My Children) NGO. Ariel has donated half a million Egyptian pounds (approximately US$82,300) for construction of a four-story facility to house the boys. The project is intended to take those boys off the streets, protect them from abuse, and provide them with new opportunities, a safe and clean home, care, education, and vocational training.

The home is expected to be ready in spring 2004. It increases Awladi's housing capacity for children by 75 percent.

To help raise funds for future expansions of Awladi facilities, P&G is also running a public awareness campaign on the organization's efforts.

Ariel One-Classroom Schools Project

Demonstrating its commitment to educational initiatives that provide direct support for the country's educational system, P&G Egypt has undertaken an agreement with the Egyptian Ministry of Education to build 50 one-classroom schools throughout the Egyptian countryside over a ten-year period at the rate of five schools per year.

The project is focused on bringing education to areas where it is most needed, with emphasis on educating girls who have been unable to attend regular schools and to help them catch up on education they have missed. Subjects taught at the schools range from home economics to language, reading, and writing, and include basic skills that will better equip the girls to face the everyday challenges of life and improve their standard of living.

To date, 15 schools have entered full operational mode.

Alliances

P&G commonly works with nonprofit organizations, governments, NGOs (nongovernmental organizations), educational and research institutions, and other companies in community service and public health projects. These alliances often make it possible to achieve goals that no one entity could achieve on its own.

In developing countries, alliances can improve product accessibility for low-income consumers. P&G is working within these alliances to bring low-income consumers products they can afford and that can improve their lives.

PuR Purifier of Water

P&G's Health Sciences Institute has developed a product to help more than a billion people in developing nations who don't have safe drinking water at home. P&G is collaborating with the U.S. Centers for Disease Control and Prevention (CDC) and the International Council of Nurses (ICN) to test the product and bring it into use.

PuR Purifier of Water is a small packet of specially combined ingredients similar to those used in large-scale water treatment facilities. Mixing the contents of one packet into ten liters of water separates dirt and other contaminants from the water within minutes. The water is then filtered through a cloth. PuR works better and more economically than tablets and filters that have been on the market for home use.

In CDC trials conducted in Guatemala, PuR reduced diarrheal illnesses by 40 percent by removing pathogenic bacteria, viruses, and parasites from water. When widely available, supplies will be provided at cost for emergency relief operations. The International Rescue Committee already has purchased enough to make 3.5 million liters of drinking water in Iraq.

"We estimate that 5,000 children die every day because of diarrheal illness," says Steve Luby, M.D., a CDC medical epidemiologist. "If we can get people to use products like PuR to decontaminate water in their homes, we can reduce the incidence of diarrhea and illness and save thousands of lives."

Because of the global need for and proven health benefits of clean drinking water, the P&G Health Sciences Institute, the CDC, and the ICN have joined with 20 other organizations to establish the International Network to Promote Safe Household Water Treatment and Storage. In addition, the ICN and the P&G Health Sciences Institute are educating nurses and populations in the developing world about the health benefits of treating water and storing it safely.

on the Web

For more information, please visit:
http://www.pghsi.com/communications/pur.htm

Day Care Network of Eschborn

P&G recognizes the home responsibilities of working parents and tries to help them achieve a comfortable balance between family life and business life.

P&G has been doing this in Eschborn, Germany, by working with other companies and with local authorities to improve the local child care infrastructure.

This alliance, called the Day Care Network of Eschborn (NET e.V.), has developed a Web site with resources for parents, employers, companies, local authorities, and child care providers. P&G financed 30 percent of the Web site's development costs.

The local minister of social affairs, speaking about projects such as the Network alliance, said they "correspond to the intention of regional governments focusing on family politics – aiming for better compatibility of job and family."

The Day Care Network continues to meet regularly, with the objective of ensuring continued support for and improvements to its services.

on the Web

For more information on NET e.V, please visit:
http://www.net-e-v.de/

Photo Credit:
Adilson Moralez

PUR Purifier of Water

Nordic Partnership

WWF in the Nordic countries and the Danish think tank Monday Morning have partnered with 17 leading Nordic companies, including P&G Nordic, to form the Nordic Partnership. The Partnership's objective is to make sustainability a rewarding way to do business. Partnership members identify barriers to sustainability and ways to overcome them. Member companies are working with NGOs and experts to make sustainability fundamental to the way they conduct business.

on the Web

For more information, please visit:
http://www.nordicpartnership.org

USAID

P&G recognizes the social problems many coffee-growing families face, given the current situation of global overproduction and low prices. P&G is committed to helping address the underlying social and economic issues contributing to this situation, and we want to work with reputable organizations that can help provide long-term systemic solutions. USAID (the United States Agency for International Development) has been pivotal in working toward this objective.

Less than two weeks after P&G's initial contact with the USAID mission in Guatemala, the FUNRURAL (Fundación para el Desarrollo Rural/Foundation for Rural Development) NGO was on board, and the school project was in the works.

Waelti-Schoenfeld Coffee Exporters and a local farmer who donated land were also part of this alliance.

Ariel Washing Stations

P&G Egypt's Ariel detergent brand is working with the Egyptian Ministry of Health and the Italian Aid Agency to change washing habits in rural Egypt. The goal is to prevent the spread of water-borne diseases such as schistosomiasis (bilharizia) and fasciola. These diseases are common in the Nile Valley, with its stagnant bodies of water. People contract the diseases when they wash laundry, eating utensils, and food in rivers and canals.

The partnership has been running a test of "washing stations" in the Nile Delta village of Tiba. Each washing station, which pipes in clean water, consists of 20 sinks, a washroom, clotheslines, and a wastewater treatment unit.

Village residents are enjoying washing and socializing at the washing stations. As a further inducement to come to the washing stations, P&G is providing free Ariel detergent packs.

Research is showing a progressive decline in waterborne disease in Tiba. The Egyptian government is considering introducing washing stations nationwide.

Sunny D 3x3 School Program

Sunny D and the Spanish Basketball Association (SBBA) have designed a Spanish school sports program to promote the sport of basketball. This is the third year for the program.

Over the past three years, more than 11,000 schools have participated, including 100 schools for handicapped children. More than four million students, ages 6 to 18, have taken part with the help of 20,000 physical education teachers.

The physical education teachers are provided with a Sunny D 3x3 kit, containing a CD-rom with exercises and rules, as well as games, basketballs, and posters.

The program is completed in 3 stages:
- Learning and training
- Internal championships
- Regional tournaments in the 52 provinces

Disaster Relief

P&G people feel fortunate, and they are eager to help when others suffer misfortune. P&G's resources, including the talents and energy of its people, often are helpful at times of crisis. Here are a few ways P&G and its people have contributed to disaster relief over the past year:

P&G Joins the Fight Against SARS
Thousands of medical workers in Beijing have been risking their health, and even their lives, during the SARS (Severe Acute Respiratory Syndrome) epidemic. The SARS fight has been stressful not only to those fighting the epidemic and caring for SARS patients, but to their families as well.

Wanting to make this challenging time a little easier for the families, P&G employees at the Beijing Technical Center volunteered on weekends to assemble more than 10,000 gift packs of P&G products. The gifts arrived at medical workers' homes in advance of China's Labor Day holiday on May 1.

Elsewhere in the region – in Taiwan, in Hong Kong, and in China's mainland outside the capital – P&G supported governments and the medical community by donating respiratory ventilators and Safeguard soap products to hospitals, printing educational pamphlets, providing public service announcements, and producing training films on preventing the spread of SARS.

P&G Algeria Assists Earthquake Victims
When an earthquake struck northern Algeria in May, "we wanted to act fast, and to reach as many needy people as possible," says P&G Algeria Commercial Manager Egons Plavnieks.

P&G asked the Red Crescent how best to help. The Red Crescent directed P&G to the city of Boumerdes, about 50 km (31 miles) from the capital, Algiers. Boumerdes was at the epicenter of the 6.8 quake and suffered thousands of deaths. Thousands more people became homeless.

"The Red Crescent advised us that the survivors in Boumerdes desperately needed our products," says Plavnieks. "Additionally, there was a critical need for a means to distribute them. The Red Crescent didn't have trucks to carry the supplies."

P&G quickly moved a large quantity of shampoo and feminine pads from its distributor's warehouse to Boumerdes, bringing some cleanliness and comfort to the survivors.

"I will never forget the expressions on people's faces – how happy they were to receive our gift of P&G products," says Human Resources Manager Issam Haouari.

P&G Donates Media Time To Red Cross
When a tornado devastated the Tennessee town where P&G makes Pringles potato chips, P&G found itself both a victim and an aid provider at the same time.

The tornado did millions of dollars' damage to P&G's Jackson Plant, which is the area's second-largest employer. Getting the plant functioning again wasn't just a matter of making potato chips; it also was a matter of keeping people employed and keeping P&G a vital asset in the community.

While the Jackson Plant was repairing its roof and the collapsed southern end of the building, the Company also worked on ways to help the surrounding community. P&G made a $125,000 general donation to the Red Cross and also provided truckloads of products. Then the Company decided to add to this donation by buying the Red Cross $2 million in advertising time to help it rebuild its Disaster Relief Fund.

And, confident that Pringles production would be back to normal by summer, P&G committed to donating 5 cents to the Red Cross Disaster Relief Fund for every can of Pringles sold in July.

Jackson Mayor Charles Farmer said of P&G, "They take care of their employees, and they send a strong message to the community that they're here to stay."

A tornado struck P&G's Pringles plant in Jackson, Tennessee, last spring.

Dish Liquids Continue to Save Birds

When there's an oil spill, animal rescue groups around the world commonly use P&G's dishwashing products to clean wild birds. Dawn, Dreft, and Fairy Liquid effectively remove oil, yet are gentle on birds' delicate feathers and skin. Bird rescue professionals save the lives of thousands of oil-soaked aquatic birds each year by washing them in dishwashing liquids donated by P&G. Animal rescue groups and P&G have been working together on bird rescue operations for more than 20 years.

Credit: IBRRC (International Bird Research and Rescue Center)

This past year, around the globe, there have been a number of oil spills from transporter ships. P&G has donated dishwashing products for bird rescue. For example, in Belgium, P&G sent 200 liters of Dreft to rescue centers cleaning sea birds weighed down by oil from a sunken auto carrier in the North Sea. P&G also provided a large number of towels and cloths to dry and warm the birds.

The number of major oil spills has decreased dramatically in recent years. Decades of experience have raised the success rate for rehabilitating oil-soaked birds from 3 percent to 90 percent.

on the Web

For more information on the Save a Duck program, please visit:
http://www.homemadesimple.com/saveaduck/

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P&G

2003 Sustainability Report

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