P&G

2001 SUSTAINABILITY REPORT

Statement of Purpose

We will provide 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.

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

This report was prepared in accordance with the Global Reporting Initiative's (GRI's) *Sustainability Reporting Guidelines on Economic, Environmental and Social Performance,* June 2000. The mission of the GRI is to promote international harmonization in the reporting of relevant and credible corporate environmental, social and economic performance information to enhance responsible decision making. GRI pursues this mission through a multi-stakeholder process of open dialogue and collaboration in the design and implementation of widely applicable sustainability reporting guidelines. GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein. For further information about the GRI, please visit: ***http://www.globalreporting.org***

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

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FRONT COVER: *Children gather outside a school supported by the Dash Goodwill Mission – School for Angola program.* *(see page 53)*

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CEO and Chairman's Statement

The men and women of P&G share a deeply felt purpose: to improve the lives of consumers in every part of the world. One important way in which we fulfill this purpose is through our commitment to the concept of sustainable development, or sustainability, which we believe is integral to both P&G's future business success and to a truly better quality of life for all the world's consumers – now and for generations to come.

Sustainability is an important way for us to leverage the power of innovation and global markets for the benefit of everyone – not just those in the developed world. We cannot condemn developing countries to a life of poverty so those in the developed world can maintain their lifestyles. But neither do we have to presume that the only alternative is for the developed world to reduce its quality of life. When we concede to such a notion, we erect barriers to progress. We pit the developed and developing worlds against one another and create an adversarial environment in which there are opposing sides, not common purpose. As a result, progress stalls or moves only incrementally, and two-thirds of the world's population continues to live on the fringes of existence.

There is an alternative. It is based on the premise that we can make markets work for everyone and ultimately make lives better in every part of the world. In this report, you will find many examples of P&G's contributions to a better quality of life through the creation of new products, new markets and addressing new consumer needs. For example:

- pregnancy education to reduce maternal mortality
- Actonel for the treatment and prevention of postmenopausal osteoporosis
- dental hygiene education to improve oral health
- a partnership with UNICEF to combat tuberculosis

Another important issue we would like to address is how the global economic environment has impacted our business. Fiscal 1999/00 was a difficult year for P&G and for its many employees around the world. A strong plan was put in place to re-establish the balance between top-line revenue growth and bottom-line earnings growth. However, over the past fiscal year, we continued to face a challenging economic environment, with a slowing U.S. economy and the possibility of a recession. Key economies around the globe were also slowing – Japan, some countries in Europe, some of the developing markets. In order to restore P&G's ability to compete more effectively and to grow more consistently, the previous restructuring program was expanded to further reduce overhead costs, resulting in staffing reductions across the Company.

When downsizing becomes necessary, as it did this past fiscal year, we manage employee separations in ways that are consistent with our values and principles. We maintain focus and priority on our strong commitment to the diversity of our organization. P&G uses a voluntary separation program to maximize voluntary attrition. The program, which includes severance pay based on years of service, continuation of health care benefits for the severance period, outplacement support services and a retraining allowance, provides a bridge for separating employees to retirement or employment elsewhere.

These efforts have translated into improved competitiveness by controlling costs and managing cash more effectively, and resulted in getting P&G's business back on track and growing again. We've refocused on our biggest brands, in our biggest markets, with our biggest customers. We've strengthened the value of our brands for consumers. We've made strategic choices about which businesses P&G should be in and which it should not.

We have only just started down our road to sustainable development, but already we can see how P&G benefits when we improve the lives of the world's consumers, now and for generations to come.

A. G. Lafley
President and Chief Executive

John E. Pepper
Chairman of the Board

Vision

From the beginning, P&G's embrace of Sustainable Development has been based on our vision that we can grow the business, shareholder and stakeholder value of P&G by bringing to the marketplace innovations and technologies that address the frustrations and aspirations of consumers at all levels of the economic pyramid. Since then, we have been on a steep learning curve in our attempt to bring sustainability to life for our business managers as well as our external stakeholders. I want to share some of our learnings with you.

Our first, and most important, learning came in our efforts to define the concept of sustainability as a way to ensure better quality of life for everyone, now and for generations to come. This is an effort on which we have been focused for two years, and we are encouraged by how many people – in business, government and non-governmental organizations – are not only embracing this concept, but also seizing upon it to pursue common solutions, and not just common problems. People relate to the idea of a "better quality of life" at an emotional level. They have their own ideas about what a better quality of life means for them and their children and for those less fortunate than themselves. At P&G, we now use this definition exclusively.

Our second learning was the importance of talking about sustainability as an opportunity, not an issue to be managed. We recognized this difference and developed our approach to sustainability accordingly. When meeting with our business leaders to discuss how sustainable development relates to their businesses, we stress the opportunity that flows from "ensuring a better quality of life." When talking with external stakeholders, we share ideas on how to improve lives. We find people begin talking about creative solutions, new partnerships and new business opportunities that come from addressing the aspirations and problems of consumers all over the world.

However, as we focus on building new top-line value for P&G, we have maintained our historical attention to how we run our business – our health, safety and environmental management, product safety programs and community relations efforts. In this year's report, you will see:

- P&G's environmental compliance and employee safety performance are at historical best levels
- P&G was rated the No. 1 company in the non-cyclical consumer products sector by the Dow Jones Sustainability Group Index
- Business Ethics magazine rated P&G first in its annual list of 100 Best Corporate Citizens

Our approach to sustainability is a simple but enormously motivating way to think about our responsibility as a company. It is fully consistent with our Purpose, Values and Principles; thus, a perfectly natural way for us to behave. Living up to such a challenge can be difficult, but it is a challenge we embrace. And we are pleased to share our progress with you.

George D. Carpenter
Director, Corporate Sustainable Development

Executive Summary

Key Sustainability Focus Areas

Our sustainability focus continues to be Water and Health & Hygiene. We have chosen these two major areas as they are applicable across all of the Company's global business units and the core drivers for sustainability: environmental protection, social responsibility and economic development. While P&G continues to focus on Water and Health & Hygiene, the Company will not forget its long tradition of:

- Doing what is right for consumers, employees, shareholders and communities where it operates
- Building sales and profit growth in a socially and environmentally responsible manner
- Increasing diversity within its work force
- Contributing to a more educated population
- Maintaining high standards of health, safety and environmental protection for its products and operations throughout the world

Major Impacts Associated with Products and Services

Environmental Protection

- Resource Use (Materials and Energy)
- Water
- Waste and Emissions

Social Responsibility

- Health
- Hygiene
- Education

Economic Development

- Shareholder Value
- Employment
- Taxes, Fees and Contributions

Financial Highlights

(Millions of dollars except per-share amounts)

	2000/01	1999/00	1998/99
Net Sales	$39,244	$39,951	$38,125
Marketing, Research & Administrative Expenses	$12,406	$12,483	$10,845
Income Taxes	$1,694	$1,994	$2,075
Net Earnings	$2,922	$3,542	$3,763
Basic Net Earnings Per Common Share	$2.15	$2.61	$2.75
Total Assets	$34,387	$34,366	$32,192
Long-Term Debt	$9,792	$9,012	$6,265
Shareholders' Equity	$12,010	$12,287	$12,058

Philanthropic Contributions

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

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

	2000/01	1999/00	1998/99
Total	$27,503,686	$28,292,768	$27,585,008

P&G's contributions and community activities are an important part of achieving the Company's purpose of improving the lives of the world's consumers. During the past year, P&G through The P&G Fund has provided support to more than 1,500 organizations.

Diversity Data — Global Enrollment

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

Global Enrollment % Female

	2000/01	1999/00
Management	34.5	34.1
All Other Employees*	38.0	39.3

* *The category of "All Other Employees" continues to be an evolving global database as more of P&G's plants are included. The database is expected to be complete by 2001/02. Changes in this category between 1999/00 and 2000/01 are reflective of the addition of more plant sites, which tend to have higher levels of male enrollment.*

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

	% Minorities			% Female		
	2000/01	1999/00	1998/99	2000/01	1999/00	1998/99
Management	15.8	15.9	15.8	34.1	33.7	33.1
All Other Employees (Administrative, Technical and Plant Technicians)	18.4	18.8	18.5	38.8	39.7	39.9

Manufacturing Resource & Waste Summary

All units are in thousands of metric tonnes unless otherwise noted. 1 tonne = 1,000 kg = 2,205 lbs.

Measure	Total			2000/2001 Global Business Unit Details				
	2000/01	1999/00	1998/99	BC	BFFC	FHC	FB	HC
Production								
Product Shipped	15,808	13,936	13,269	893	3,510	8,248	2,179	978
Raw Materials from Recycled Sources	208	476	380	0	208	0	0	0
Waste								
Generated Waste	910(830)*	879	863	57	472	140	214(134)*	27
Percent Recycled/Reused Waste	51%	55%	56%	34%	65%	62%	39%	54%
Disposed Waste								
Solid Waste — Non-Hazardous	376(296)*	317	271	27	199	29	113(33)*	8.0
Solid Waste — Hazardous	13	12	27	3.3	0.9	8.0	0.2	0.5
Effluents (Excluding Water)	36	39	31	3.7	7.4	11.1	11.2	2.1
Air Emissions	15	19	20	0.5	6.3	2.4	5.5	0.4
Other								
Energy Consumption (10^5 GJ)	1,068	1,080	967	43	656	216	110	43
Water Consumption (MM cubic meters)	88.1	87.0	83.4	4.9	55.8	15.8	9.0	2.6
SARA Releases (1,000 tons)**	1.7	1.9	1.6	0.02	0.01	1.2	0.08	0.41

* Waste from process sources decreased. Total wastes would be 80,000 metric tonnes less if demolition wastes were excluded.
** Releases defined in the U.S. Superfund Amendments and Reauthorization Act by the U.S. Environmental Protection Agency.

NOTE: BC - Beauty Care; BFFC - Baby, Feminine, & Family Care; FHC - Fabric & Home Care; FB - Food & Beverage; HC - Health Care

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)

2000/01	1999/00	1998/99
0.69	0.79	0.79

Total Lost Workday Case Rate
(lost & restricted workday cases per 100 employees)

2000/01	1999/00	1998/99
0.24	0.35	0.37

Summary of Violations and Interventions

Past three years' global data on environmental, transportation, and worker health and safety violations and interventions:

	2000/01	1999/00	1998/99
Number	73	48	46
Fines	$77,070	$13,400	$33,250

The increases in fines and violations this year are related to transportation of hazardous materials.

P&G Profile

P&G markets approximately 250 brands of consumer products to nearly five billion consumers in more than 130 countries. The products include laundry detergents, toothpastes, shampoos, feminine hygiene products, pharmaceuticals, snacks, diapers, cosmetics and cold remedies. P&G products are best known by their brand names: Pampers, Tide, Ariel, Always, Whisper, Pantene, Bounty, Pringles, Folgers, Charmin, Downy, Lenor, Iams, Olay, Crest, Vicks and Actonel.

P&G's worldwide headquarters is located in Cincinnati, Ohio, U.S. The Company has on-the-ground operations in more than 80 countries and employs nearly 106,000 people worldwide.

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 July 31, 2001, there were 1,090,000 Common Stock shareholders of record, including participants in the Shareholder Investment Program. Five billion shares of Common Stock have been authorized. About 1,295,738,000 shares were outstanding as of July 31, 2001.

This is the third Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 2000, through June 30, 2001. Financial information is given in U.S. dollars.

For more information on P&G's geographical operations, please visit our Web site at:
http://www.pg.com/about/news/world.htm
For more information on P&G's investor information, please visit our Web site at:
http://www.pg.com/investor
For more information on P&G's products, please visit our Web site at:
http://www.pg.com/products/pg_products.jhtml?toolbar=/common/lbarmain.jhtml

Key Brands

Fabric & Home Care
ACE BLEACH AND PREWASH
ARIEL
BOUNCE
CASCADE
CHEER
DASH
DAWN
DOWNY
DRYEL
ERA
FAIRY
FEBREZE
JOY
LENOR
MR. CLEAN
TIDE
SWIFFER

Feminine Care
ALWAYS
ALLDAYS
TAMPAX
WHISPER

Food & Beverage
CRISCO
FOLGERS
JIF
MILLSTONE
OLEAN
PRINGLES
SUNNY DELIGHT
SPIRE
ECLIPSE

Health Care
ACTONEL
ASACOL
BLEND-A-MED
CREST
DIDRONEL
IAMS
MACROBID
METAMUCIL
NYQUIL/DAYQUIL
PEPTO-BISMOL
SCOPE
VICKS FORMULA 44
VICKS VAPORUB

Baby Care
BABYSAN
DODOT
LUVS
PAMPERS
PAMPERS & LUVS BABY WIPES

Beauty Care
COVER GIRL
IVORY
MAX FACTOR
OLAY
OLD SPICE
PANTENE PRO-V
PERT PLUS
REJOICE
SAFEGUARD
SKII
SECRET
VIDAL SASSOON
ZEST

Family Care
BOUNTY
CHARMIN
PUFFS
TEMPO

Building for the Future

Wm. Procter & James Gamble, Founders, Candle & Soap Business

1837

1850

$1 Million Net Sales 1859

Regional U.S. Markets

1860

1870

Financial Information

The Company reported net earnings of $2.92 billion, or $2.07 per common share, for the fiscal year ended June 30, 2001. Results included a charge of $1.475 million after-tax related to its restructuring program.

Core net earnings for the fiscal year increased to $4.40 billion, excluding the restructuring costs. Core net earnings per share were $3.12, an increase of six percent from the previous year. Fiscal year earnings grew due to volume and sales progress partially offset by higher spending behind new initiatives. Net sales were $39.24 billion, down slightly from last year. Excluding a three percent exchange rate impact, net sales increased two percent on flat unit volume.

Common share dividends were $1.40 per share in 2001. For the coming year, dividends will increase nine percent to $1.52 per common share, marking the 46th consecutive year of increased common share dividend payments.

Financial Highlights

(Millions of dollars except per-share amounts)

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Total Assets	$34,387	$34,366	$32,192
Long-Term Debt	$9,792	$9,012	$6,265
Shareholders' Equity	$12,010	$12,287	$12,058

As part of P&G's restructuring initiative to optimize resources to fit a growing global business and to accelerate innovation and growth, the Company began operating its business through Global Business Units (GBUs).

- ***Global Baby, Feminine, & Family Care***
- ***Global Fabric & Home Care***
- ***Global Beauty Care***
- ***Global Health Care***
- ***Global Food & Beverage***

Net Sales by Global Business Units *(Millions of dollars)*

	2000/01	1999/00	1998/99
Baby, Feminine, & Family Care	$11,991	$12,044	$12,190
Fabric & Home Care	$11,660	$12,157	$11,415
Beauty Care	$7,257	$7,389	$7,376
Health Care	$4,353	$3,909	$2,876
Food & Beverage	$4,139	$4,634	$4,655
Corporate	$(156)	$(182)	$(387)
Total	$39,244	$39,951	$38,125

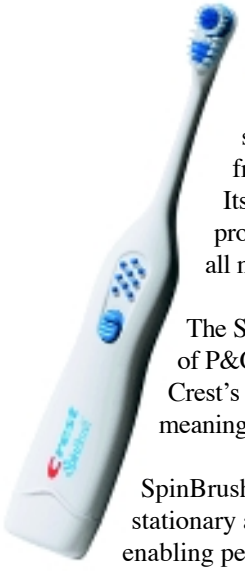
Building for the Future, *continued...*

Major Acquisitions

Acquisitions accounted for as purchases in 2000/2001 totaled $171 million. They include:

Dr. Johns SpinBrush

P&G purchased Dr. Johns Products, Ltd., makers of the Dr. Johns SpinBrush – a high-performance battery-operated toothbrush priced within a dollar or two of manual brushes.



Launched in late 1999, the SpinBrush had done no consumer advertising until the summer of 2001, instead driving sales through positive word-of-mouth from consumers, dentists and retailers. Its success comes despite the fact that the product is still not fully available through all major retail chains.

The SpinBrush acquisition will double the size of P&G's toothbrush business and fit well with Crest's mission of providing consumers with meaningful advances in oral health and hygiene.

SpinBrush's patented design features both stationary and high-speed oscillating bristles, enabling people to use the manual brushing motion they are used to while providing the enhanced benefits a powered brush can deliver. The SpinBrush comes in three versions – adult, youth and child.

To celebrate this announcement, Crest and Dr. Johns donated 10,000 children's SpinBrushes to charity. The brushes went to needy children through the Toys for Tots campaign and Crest's Healthy Smiles program.

Moist Mates

P&G purchased Moist Mates – a moist, flushable bath tissue on a roll – from Moist Mates LLC. The deal included brand inventories, patents and trademarks.

P&G relaunched Moist Mates under the name Charmin Fresh Mates and began distributing the product in July 2001 in a regional market covering the southeast and mid-Atlantic states.

Charmin's research found that more than 60 percent of adult consumers have tried some alternative form of moist cleaning including: sprinkling water on dry toilet paper, using baby wipes or wetting a washcloth. Charmin Fresh Mates gives consumers a soft, moist, flushable bath tissue in a familiar, easy-to-use format – a roll.

Charmin Fresh Mates is the perfect companion to regular Charmin bath tissue. Together, these products offer consumers a convenient way to choose dry, moist or both. The Charmin Fresh Mates starter kit includes one roll of moist tissue with a dispenser that is convenient and lightweight and hangs directly from most existing dry-roll holders. Charmin Fresh Mates refills are sold separately.

Major Divestitures

Divestitures accounted for as sales in 2000/2001 totaled $717 million. They include:

- Biz
- Clearasil / Biactol
- Spic and Span / Cinch

External Recognition

Below is a list containing some of the key awards and recognition received by the Company over the past year:

Corporate Awards

- Dow Jones Sustainability Group Index, Market Sector Leader-Consumer, Non-Cyclical (see page 11 for more details)
- 1st on 100 Best Corporate Citizens rating, Business Ethics Magazine, 2001 (see page 11 for more details)
- P&G Thailand named first winner of Good Corporate Governance and Internal Audit Award 2000
- 10th in second annual Reputation Quotient Study conducted by Harris Interactive Inc. and The Reputation Institute
- P&G Singapore received Corporate Gold Award 2000 (see page 51 for more details)
- National Osteoporosis Foundation Corporate Leadership Award

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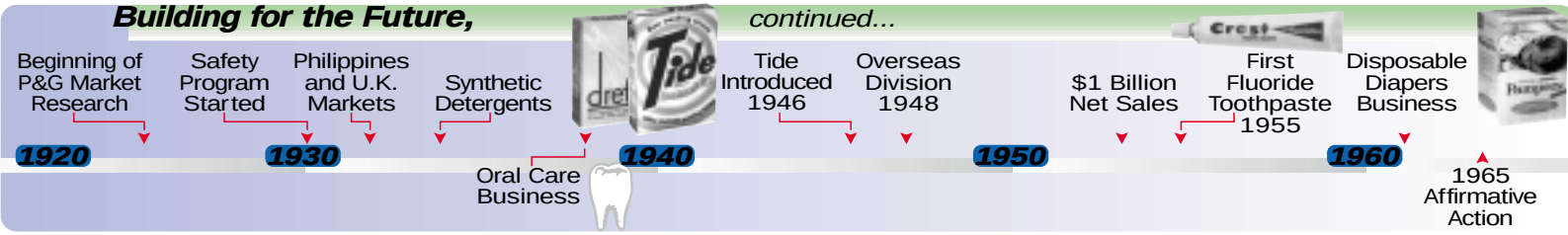

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- 13th in World's Most Respected Companies list published by the Financial Times
- 4th Most Admired Company in Spain published annually by the leading Spanish financial magazine, Actualidad Económica
- Top 15 Responsible Corporate Citizens in India reported in the Confederation of Indian Industry quarterly publication, Green Business Opportunities
- P&G received the Ohio 2001 Minority Business Development Award (see page 43 for more details)
- P&G named to Working Woman Magazine's Inaugural Supplier Diversity List in recognition of its diversity initiatives, particularly in the area of furthering the growth and success of minority and women entrepreneurs
- P&G awarded the 2000 Corporate Circle Award by the U.S. National Medical Association for its role in the national effort to facilitate the development, dissemination and use of state-of-the-art biomedical knowledge for improved therapeutics in African-American patients
- P&G named to the Forbes Magazine 40 List for its efforts in developing strategic alliances and partnerships that spur growth and innovation and serve customers better
- P&G named Supplier of the Year and winner of the Best New Product Award for Swiffer by the Australian grocery industry
- For All Kids Foundation White Rose Award presented by U.S. talk show host Rosie O'Donnell honored P&G's Chairman, John Pepper, and his wife, Francie, for their leadership and dedication to helping children and families in need over many years. Crest sponsored this year's event as part of the launch of the new Crest Healthy Smiles 2010 Program (see page 49 for more details)
- P&G received the annual Hunger Hope Award 2000 from America's Second Harvest, which recognizes those who support their effort to end hunger in America

Employee Awards

- Fortune Magazine Best Companies for Asians, Blacks and Hispanics 2001
- Hispanic Magazine Top 100 Corporations to Work For 2001 and Corporate Elite Award 2001
- The Vault Report, a popular career-help Web site that reviews companies for best places to work, ranks P&G among the Top Ten Places for Minorities to Work
- The LATINA Style Magazine again selected P&G to its Style 50 List, which recognizes the top 50 U.S. companies providing the best professional opportunities for Latinas
- 11th on Top 35 Best Companies to Work For in Canada, published annually by the Globe and Mail's Report on Business magazine
- 2nd in Best Employers to Work For in India study conducted by Business Today Magazine

Brand Awards

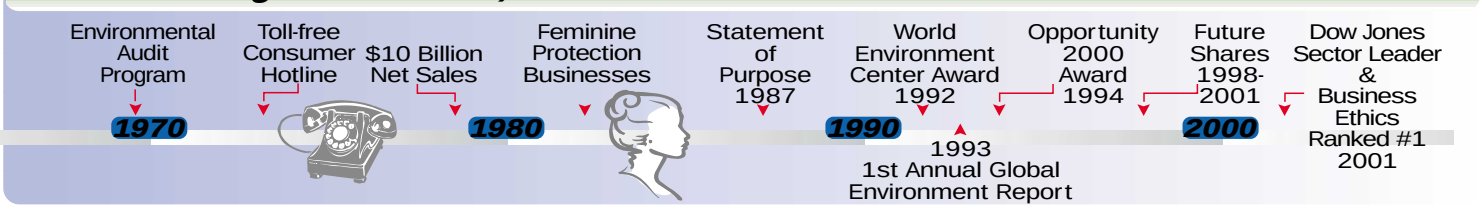
- Kazakhstan's Choice of the Year 2000 Award for Best Shampoo (Pantene Pro-V) and Best Detergent (Ariel) and Best Producer of Hygiene Products
- Marketing Intelligence Service's Annual Build a Better Mousetrap report selected three P&G products – Impress Ultimate Sealing Wrap, Crest Whitestrips Dental Whitening System and Swiffer WetJet Hard Floor Cleaning System – among its Top 10 Innovative Products of 2000
- Swiffer named Product of the Year 2000 by German consumers in the trade magazine, Lebensmittel Praxis (Food Practice)
- Pantene Essentials wins "T" Award from Telva magazine and Prix d'Excellence from Marie Claire magazine, two of the most prestigious awards in Spain's beauty world
- Sunny Delight recognized as One of the 100 Best Ideas of 2000 by the leading financial magazine in Spain, Actualidad Económica
- Sunny Delight and Pringles recognized among the 10 Initiatives of the Year by the leading Spanish distribution magazine, Distribución Actualidad
- Downy Wrinkle Releaser's "Wrinkle Free Laundry Week" won the Silver Anvil for Excellence in Marketing Consumer Products Packaged Goods
- The "Tampax Total You Tour – Cultivating a Relationship" received its second Silver Anvil for Excellence in Multicultural Business Relations
- P&G received recognition by the Chilean Health Ministry for deployment of the Pampers Institute and Hospital Program
- Brazil's Ace Detergent received the Golden Lion Award in the Stunts/Events (Media) Category at the 48th annual Cannes International Film Festival

Environmental Awards

- 7th in the Index of Corporate Environmental Engagement and Performance, organized by the U.K.'s Business in the Environment
- P&G Cosmetics received Businesses for the Bay Significant Achievement Award for successful modifications made to its Hunt Valley, Maryland, U.S., production facility (see page 37 for more details)
- P&G Paper won Wisconsin's Manufacturer of the Year award for productivity improvements at the Green Bay facility

For more information on awards received by P&G, please visit our Web site at:
http://www.pg.com/about_pg/overview_facts/awards_recognition.jhtml

Building for the Future, *continued...*



Dow Jones Rates P&G as Market Sector Leader

P&G was awarded the top rating for sustainability in consumer, non-cyclical products in the 2000 Dow Jones Sustainability Group Index (DJSGI). This recognition, by an independent body, is an acknowledgement of the efforts and strategies P&G implemented over the past year to drive sustainability within its business and assessing and communicate the economic, social and environmental impacts of its products and services. P&G was the top rated company in the Consumer, Non-Cyclical market sector.

In awarding P&G the top rating, the Index made reference to the Company's deliberate strategies and actions. In particular, the P&G focus on personal health and hygiene and the reduction of water usage and pollution were acknowledged. In its summary, the report notes that "the company's approach is to increase shareholder value by contributing solutions to problems, needs and concerns associated with these two areas." It recognizes how P&G has carefully defined its key stakeholders – consumers, communities, employees, shareholders, suppliers, retailers, etc. – and created a dialogue with them through regular information, educational programs, meetings, etc.

The DJSGI is a product of Dow Jones and the SAM Sustainability Group (Switzerland) and is currently licensed to 17 financial firms in eight countries. The index is created by starting with the 2000 largest companies in the Dow Jones Group Index. Each of these is rated on a set of sustainability criteria, and the top 10 percent are included in the DJSGI. As part of each year's launch, the top companies are featured.

You can access the profile on P&G in .pdf format at:
http://www.pg.com/content/pdf/01_about_pg/corporate_citizenship/sustainability/2000DJSGIPGBIO.pdf

Business Ethics Rates P&G Best Corporate Citizen

P&G was named No. 1 by Business Ethics Magazine in its article "100 Best Corporate Citizens for 2001; America's Most Profitable and Socially Responsible Major Public Companies." In awarding the No.1 ranking to P&G, Business Ethics noted the Company's service to international stakeholders, especially its generosity in international grants and gifts in several communities. This includes earthquake relief in Turkey, community building projects in Japan, plus contributions for schools in China, school computers in Romania, special education in Malaysia and shore protection in France.

Business Ethics first introduced a ranking of the 100 Best Corporate Citizens in 1996, using data gathered by in-house researchers. The 2000/2001 list was compiled using a new methodology from the previous years' lists. The new methodology uses the database compiled by the leading social research firm, Kinder, Lydenberg, Domini and Co., Inc., which collects and synthesizes data on a wide array of stakeholder topics for more than 650 top public U.S. companies.

For the complete story, please visit:
http://www.business-ethics.com/100best.htm#Cover Story

2001 SUSTAINABILITY REPORT

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The report team wishes to thank all the individuals throughout the Company who contributed information, stories and data to this report.

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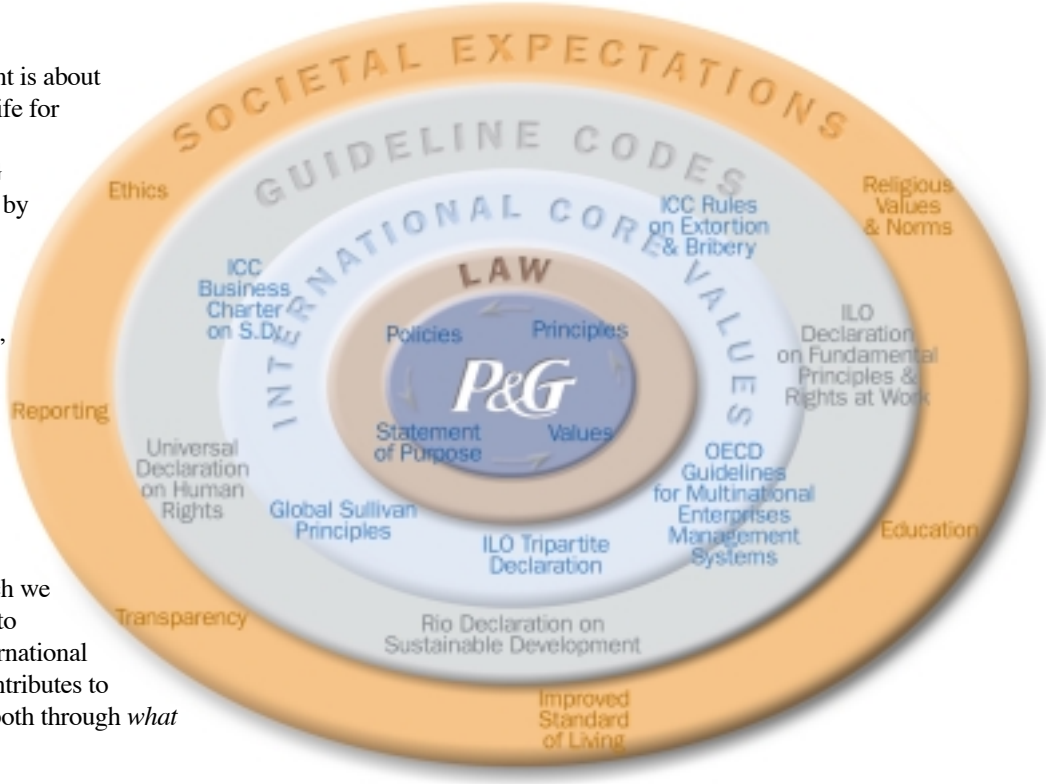
P&G's 2000 Sustainability Report can be found at: ***http://www.pg.com/content/pdf/01_about_pg/corporate_citizenship/sustainability/reports/sustainability_report_2000.pdf***

P&G's 2001 Sustainability Report can be found at: ***http://www.pg.com/sr***

Policies, Organization & Management Systems

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, whether in terms of 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, local communities in which we operate, and more widely to regional, national and international development. So P&G contributes to sustainable development both through *what we do* and *how we do it*.



How we do it includes ensuring we address any environmental and socioeconomic issues associated with our products and services. This is achieved by ensuring that the whole Company works within an agreed set of management systems and policies. Central to P&G's organization are our Principles, Values and Statement of Purpose. These act as guidance for the development of our entire organizational structure, wherever we are in the world. This year we have made further improvements to a number of policies, including vendor selection guidelines, child labor policy and our global Health, Safety and Environment (HS&E) systems.

KEY

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

Statement of Purpose

We will provide 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.

Values *P&G is its people and the values by which they live.*

P&G People

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 P&G will always be our most important asset.

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.

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.

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.

J. Floyd Byrd (1922 – 2000)

On December 29, 2000, J. Floyd Byrd, founder of Environmental Control at P&G, passed away of heart failure after 78 short years. After World War II, he returned to the University of Cincinnati, graduating in 1948 as a chemical engineer. He then came to P&G and began a 41-year tenure. He retired in 1989 as Manager of Environmental Affairs. Eight years of full-time consulting followed; full time for Floyd consisted of 60 - 70 hours a week.

Floyd was a rare blend of conservationist and industrialist. He brought pragmatism to both sides. He truly was a devoted custodian of our environment.

Floyd was the recipient of many awards and important appointments. He was designated an official observer to the first United Nations "Man & His Environment" conference, held in Stockholm, Sweden, in 1972. He served on the National Academy of Science & Engineering Committee of Water Quality Management. He received a University of Cincinnati distinguished Alumni Award in 1973 and was selected Engineer of the Year by the Engineering Society of Cincinnati in 1974. These are only a few of his many accolades. He was indeed highly respected in his work and as a person.

Floyd authored numerous articles on the environment and responsible pollution control. Many were published and award winning. In 1969, he received the F. H. Warring Award from the Ohio Water Pollution Control Association for contributions in industrial waste control, and in 1985 he received the Environmental Regeneration Award for Distinguished Leadership in Environmental Protection given by the Rene Dubois Center for the Human Environment.

Floyd was president of the Water Environment Federation and was a co-founder of the Ohio section of the Sierra Club. Floyd was a teacher. Whether it was Eskimo rolls in a kayak or the disciplines of environmental engineering, he taught, coached, mentored, encouraged and gave people the freedom to achieve their highest potential.

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 functions, sectors, 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 recently elected two new members, **Ernesto Zedillo Ponce de Leon** and **Domenico DeSole.**

Dr. Zedillo was president of Mexico from 1994-2000. "We are delighted to welcome Ernesto Zedillo to our board," said John Pepper, Chairman of the Board. "He is a distinguished leader and economist. He drove unprecedented growth during his six years as president of Mexico. His vast experience in social, economic and trade issues will add great depth and insight to our board."

Mr. DeSole is president and chief executive officer of Gucci Group N.V. and chairman of the Group's management board. "Domenico is a disciplined and dynamic business leader with strong experience in building global brands," said Mr. Pepper. "He brings to us a unique combination of financial and marketing experience that has propelled Gucci to renewed record growth during the past decade."

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

Child Labor And Worker Exploitation Policy

P&G does not use child or forced labor in any of our global operations or facilities. We do not tolerate unacceptable worker treatment such as the exploitation of children, physical punishment or abuse, or involuntary servitude. We expect our suppliers and contractors with whom we do business to uphold the same standards. Should a pattern of violation of these principles become known to the Company and not be corrected, we will discontinue the business relationship.

For more information, please click for full details.

Project Hope

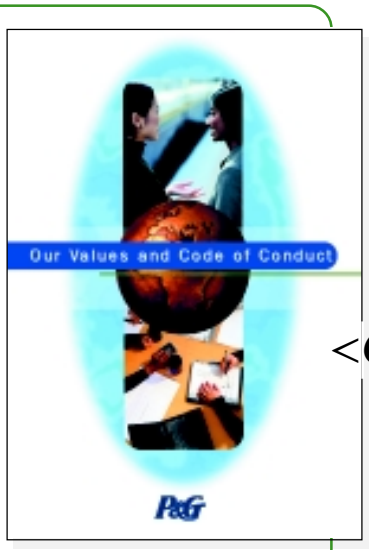
P&G China is a strong supporter of Project Hope, a national organization that builds schools in rural Chinese communities, many of which have no schools. P&G donated a total amount of RMB12 million (approximately $1.45 million) to Project Hope, building more than 70 "P&G Hope Schools" around China and bringing thousands of children in poor rural areas back to schools.

Our Values and Code of Conduct

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

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 the proper conduct and respect for all individuals in the quest for common prosperity.

http://pg.com/about_pg/corporate/sustainability/substain_catmain.jhtml



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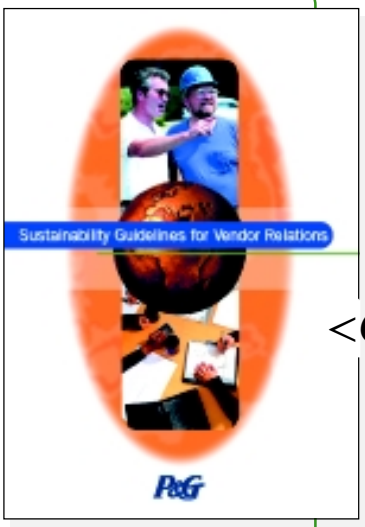
Guidelines for Vendor Selection

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.

http://pg.com/about_pg/corporate/sustainability/substain_catmain.jhtml



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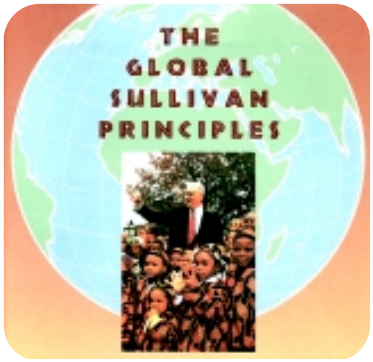
The Global Sullivan Principles



P&G supports the Global Sullivan Principles for corporate social responsibility and is one of the founding members.

The objectives of the Global Sullivan Principles are to support economic, social and political justice by companies where they do business; to support human rights and to encourage equal opportunity at all levels of employment, including racial and gender diversity on decision-making committees and boards; to train and advance disadvantaged workers for technical, supervisory and management opportunities; and to assist with greater tolerance and understanding among peoples, thereby helping to improve the quality of life for communities, workers and children, with dignity and equality.

For more information on the Global Sullivan Principles, visit:
http://www.globalsullivanprinciples.org

Reverend Leon Sullivan (1922 - 2001)

On April 24, 2001, P&G lost a friend, and the world lost a tireless advocate "for the little people" when the Reverend Leon Sullivan passed away from leukemia at the age of 78. He will be remembered by more than three million people in 17 countries who have received job training through his Opportunities Industrialization Centers, which were founded in 1964.

In 1971, he became the first African-American to serve on a major corporate board when he was elected director of the General Motors Corporation, where he served for 20 years. In 1977, he created the Sullivan Principles, a code of conduct for companies operating in South Africa, which are now acknowledged as one of the most effective efforts leading to the elimination of apartheid. In 1983, he founded the International Foundation for Education and Self Help which launched programs to train teachers and bankers in Africa, build schools, establish micro-credit institutions for debt relief through the People's Investment Fund for Africa, and hold the ongoing series of African/African-American summits.

In the late 1990s, he brought together world and business leaders to create the Global Sullivan Principles for corporate social responsibility, which were formally launched with Secretary General Kofi Annan at the United Nations in 1999. P&G is proud to have been part of the effort to create the Global Sullivan Principles for corporate social responsibility and to be one of its charter supporters. We remain committed to their success.

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, retaining and developing its 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.

Diversity Policy

President and Chief Executive A.G. Lafley has accelerated the Company's focus on the advancement of diversity as a business strategy platform and increased commitment to targeted multi-cultural marketing. In a letter to all P&G employees, Mr. Lafley stated:

> ***"In the end, winning will come from taking full advantage of our diversity. Let's harness the full power of our organization so we can out-think… out-innovate… and out-perform our competitors. Every time."***

P&G executive leadership has also increased emphasis on diversity accountability. A Corporate Diversity Leadership Council will shortly be appointed to evaluate strategies and progress toward achieving diversity goals. One-to-one diversity reviews with the chief executive and each top business leader will link diversity performance to ratings, promotions and stock options.

Over the past five years, P&G has doubled the number of women and U.S. minorities at the vice president/general manager level. Recently, two African-Americans, Pamela L. Page and Albert H. St. Clair, were promoted to vice president. P&G has also added Ernesto Zedillo Ponce de Leon, former president of Mexico, to its board of directors. Mr. Zedillo adds tremendous stature and a different cultural perspective.

Externally, P&G provides continuing leadership in the advertising industry by partnering with its agencies to refer qualified applicants to them and help disadvantaged minorities gain entry to commercial production companies. Internally, P&G supports corporate network teams and formal training programs conducted by internal and external diversity experts.

P&G is committed to helping its minority suppliers prosper. With one of the oldest minority supplier programs, P&G U.S. has increased purchases from minority suppliers from $44,000 in 1972 to $548 million in 2000. The P&G Fund, the Company's philanthropic fund, provides more than $15 million for educational programs, institutions and materials each year, with $4.5 million in 2000 to nonprofit organizations that primarily benefit women and minorities. Many of those programs are further enhanced by the commitment of P&G volunteer support.

P&G's Executives-on-Loan program supports such national initiatives as the U.S. National Underground Railroad Freedom Center, and senior management currently provides leadership in a variety of community organizations such as the African-American Chamber of Commerce and the Hispanic Chamber of Commerce. Individually, P&G employees support such initiatives as the United Negro College Fund (UNCF) and is the No. 1 company nationally in the UNCF employee campaign.

P&G believes that diversity is a matter of ethics. Every individual in the Company – and every partner with whom we do business – deserves an equal opportunity to grow, excel and succeed with P&G. Our values begin with "Respect for the Individual." Our commitment to diversity is a very tangible way we put that value into practice.

Putting Our Values into Practice

Senior executives conduct in-depth diversity reviews annually with organization heads. The annual corporate diversity reviews assess diversity progress and leadership accountability across business units. Each organization establishes diversity goals, considered one of the key measures in achieving overall business results.

A.G. Lafley and Al Collins, Manager-Global Diversity, have communicated an aggressive diversity strategy for 2001 that focuses on leadership and accountability. This strategy focuses on representation at all levels in the Company and building a work culture that allows every employee to contribute to his or her fullest. Support systems for this plan include:

- Establishment of a Corporate Diversity Leadership Council
- One-to-one diversity reviews with each top executive and the chief executive
- Linking diversity performance to stock options for the top 30 managers
- Highest ratings and promotion of business unit leaders are measured against strong performance in leading and supporting diversity.

The role of the Corporate Diversity Leadership Council is to increase employee trust in leadership commitment to diversity. The Council's responsibilities include evaluating strategies and progress toward achieving goals, recommending global strategies/actions for leveraging diversity as a competitive advantage and providing perspective on emerging issues.

LINK ***For more information on diversity, please click for last year's report.***

Data Privacy Policy

Because P&G believes in protecting the privacy of personal information, we treat information provided by an individual as that individual's, entrusted to P&G. We inform people about the use and handling of data they provide us. Our privacy policy applies globally, and we follow applicable local data privacy laws and regulations. When other companies are handling personal information on our behalf, we require them to abide by our privacy practices in the handling of that data.

Examples of our commitment to data privacy include:

- Eighty P&G Web sites in North America have been awarded the Better Business Bureau's BBBOnLine privacy seal.

For more information on BBBOnLine, visit *http://www.bbbonline.org*

- P&G has qualified for the Safe Harbor, which allows for the transfer of personal information from European countries to the United States based on principles negotiated between the U.S. Department of Commerce and the European Commission.

For more information on Safe Harbor, visit *http://www.export.gov/safeharbor/*

- P&G provides leadership for industry privacy initiatives such as BBBOnLine and the Privacy Leadership Inititiative.

For more information on the Privacy Leadership Initiative, visit *http://www.understandingprivacy.org*

For more information on P&G's Privacy Policy, visit: *http://www.pg.com/privacyprinciples.jhtml*

Animal Welfare

Animal welfare is important to P&G. We are committed to the ultimate elimination of laboratory testing using animals.

P&G no longer uses animals in evaluating the safety of our non-food, non-drug consumer products, except when required by law. Animal research may still be necessary to evaluate the safety of novel ingredients and new-to-the-world product types for which no validated non-animal tests are currently available.

We believe the development of alternatives to animal research makes good scientific, ethical and business sense. We have invested more than $120 million in the development of alternatives that are helping to reduce, refine and replace the need for animal tests.

For more information on P&G's product safety testing, please visit our Web site at: *http://www.pg.com/animalalternatives.*

P&G Scientist Awarded Animal Welfare Prize

Three scientists have been awarded Europe's premier laboratory animal welfare prize for 2000, The SmithKline Beecham Laboratory Animal Welfare Prize. Dr. Frank Gerberick of P&G, Dr. Ian Kimber of Syngenta CTL and Dr. David Basketter of Unilever Research worked together to develop a test for the potential of chemicals to cause allergic skin reactions, or skin sensitization. The new test provides an alternative to the established guinea pig tests and requires the use of far fewer animals. It also provides robust objective and quantitative data, which are more readily understood by other laboratories. The data generated provides a much sounder basis for the ultimate development of non-animal models, a target scientists continue to strive for.

The SmithKline Beecham Laboratory Animal Welfare Prize is awarded annually by the Research Defence Society for significant contributions to improving the welfare of animals in laboratories or techniques that reduce the number of animals required. The prize rewards achievements in the three Rs – reduction, refinement or replacement – which are the guiding principles of modern laboratory animal science and welfare. The SmithKline Beecham Laboratory Animal Welfare Prize, sponsored by SmithKline Beecham Pharmaceuticals, is the largest laboratory animal welfare prize in Europe. It is awarded to an individual or group working in Europe for "contributions to improvements in the welfare of animals in laboratory procedures or recommendations or techniques that reduce the number of animals required for laboratory procedures."

For more information, go to: http://www.rds-online.org.uk

Environmental Quality Policy

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

For more information on the Environmental Quality Policy, please click for last year's report.

Climate Change Policy

P&G is concerned about the potentially negative consequences of climate change and believes that growing scientific evidence, substantiating links of greenhouse gases to global climate change, warrants prudent and cost effective action. We support efforts to deal with the issue under the U.N. Framework Convention on Climate Change (UNFCCC) and encourage all nations involved to search for consensus solutions under the UNFCCC.

Relative to other businesses, P&G is not an energy intensive company. Thus, any voice we have in the policy debate will be minor. However, we accept responsibility for understanding the potential contributions of greenhouse gases from our business and taking prudent and cost effective actions. The Company will continue its implementation of energy conservation and efficiency.

If current predictions are correct, the social and economic costs of addressing global climate change will be high, with different countries affected to different degrees. Therefore, we strongly support continued scientific efforts to understand the causes, consequences and potential remedies for the negative effects of climate change. This understanding is critical to ensure the international community takes not only appropriate and positive action, but action which provides the maximum flexibility, in both international agreements and in national regulations. This flexibility is essential to minimize negative economic and social impacts on countries, on individual businesses and ultimately on the general public.

Family Care Energy Reductions

P&G's manufacturing sites focus on energy reductions through loss analysis. This past year in the United States, the Green Bay, Wisconsin, site made great strides in reducing the energy required to heat incoming river water. During a loss analysis meeting, the team identified an opportunity to recover the heat which is lost through water (effluent) discharged to the local publicly owned treatment works (POTW) and the Fox River. The site evaluated the potential savings by transferring this heat to incoming river water used in the papermaking process. To accomplish this task, the team determined they would need to decrease the amount of solids in the wastewater discharged to the POTW in order to route the effluent flow through a plate and frame heat exchanger. The water treated on-site for direct discharge to the Fox River was already suitable for heat recovery.

Project scope involved installing equipment to recover more solids from the POTW effluent stream, transferring the heat from both effluent streams to the incoming river water. The project has been enormously successful. The amount of steam required to heat the incoming river water decreased by 18.1 metric tonnes per hour, and the energy required to dry the paper was reduced slightly. Capital costs for improved solids removal, pumps, piping and the heat exchangers totaled $2.5 million. Estimated annual savings equal $1.5 million. These figures equate to a payback of less than two years for the capital investment, which is a great deal for the environment and the Company.

Green Bay's successful project has potential reapplication at other sites. All Family Care sites continue to address energy reductions through their loss analysis program. Examples of other energy savings projects include optimizing airflow on paper machines, adding steam traps to improve steam condensate recovery, using alternative fuels such as peanut hulls and waste paper fiber for energy production, and using gas turbines for co-generation of electricity and energy for drying paper.

Foundation for Seashore Protection

Through the Fondation d'Entreprise P&G France pour la Protection du Littoral (Foundation for Seashore Protection), the Conservatoire du Littoral and P&G have joined forces in a project to protect the environment of coastal areas over the long term. The Conservatoire du Littoral, part of the French Ministry of Environment, is chartered to safeguard the French coastline by protecting its natural sites and maintaining the ecological balance. It purchases plots of land and restores them so they can be opened to the public. Today, the Conservatoire is one of the largest land owners of coastal areas in France (10 percent of the French coastline).

The P&G Foundation provides the Conservatoire with additional means to enhance its knowledge of the natural maritime environment through:

- Financing basic research
- Amplifying and diversifying communication
- Implementing pioneer projects

In 1992, P&G France pledged to provide FF 1 million (or $150,000) per year during an initial five-year period, which was renewed for an additional five years, until 2002.

The partnership has provided important research, including:

- A study of the forests of the Mediterranean coastline, which aims at identifying the best methods to protect Conservatoire lands and implement restoration after the frequent fires in the area
- A scientific study listing botanical species on all Conservatoire lands, resulting in a proposal of appropriate management methods to protect and enhance the botanical heritage
- Inventory of the fauna on the lands belonging to the Conservatoire, the study leading to the proposal of new ways of managing the fauna
- A major sociological study, "The French and the Coast," which assessed the opinion of real and potential users of the Conservatoire's lands

The Foundation also provides effective communication through publications, scientific symposia and educational programs. Currently, an Internet site for the Conservatoire is being developed to provide benefits to scientists, the general public, students and children.

Oxnard Beach Cleanup

In the United States, the Oxnard, California, paper plant formed a strong environmental partnership with the city of Oxnard about five years ago. The city contacted the plant to help coordinate a hazardous waste collection event. The city was in the process of constructing a waste collection/transfer station, and P&G's large parking lot worked as a perfect location for the event.

Following the success of several hazardous waste collection events, the plant became involved in the "Adopt a Beach" program. Local community groups and businesses agree to "own" a certain stretch of public beach and make several trips per year to keep the beach clean. The city of Oxnard provides a dumpster, and the California Coastal Commission provides the trash bags.

The Oxnard plant owns the Mandalay beach, and employees visit the beach three times per year to collect trash. This effort leads to a win for the environment and a win for the local community.

Argentina Coastal Cleanup

P&G Argentina has sponsored, for the third consecutive year, a coastal clean-up drive led by a local environmental nongovernmental organization (NGO) called RECREAR. This NGO links efforts with the U.S. Center for Marine Conservation. About 6,000 students under the supervision of their teachers carried out the actual cleanup. In addition to identifying and collecting the debris, the students classified it by composition to understand its origin and develop a prevention plan for the future. The cleanup work was carried out on coasts, lakes and the Rio de la Plata river in the Provinces of Buenos Aires (Vicente Lopez, Quilmes, San Isidro, Mar de la Plata), Chubut (Puerto Piramide) and Rio Negro (Barriloche).

Organizational Structure

Our organizational structure makes it easy for innovation to flow across the enterprise and around the world; to learn directly from consumers as early as possible; and to profitably commercialize the best ideas and innovations quickly.

Global Business Units (GBUs) transfer product innovations across categories and geographic markets. Market Development Organizations (MDOs) get initiatives to local markets faster, more creatively, at less cost. And our Global Business Services (GBS) and Corporate Functions organizations leverage our size to deliver better-quality services internally at significantly lower cost to the Company.

We designed our organization to be global and local at the same time – a paradoxical challenge that we believe is key to our future success.

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.

For more information on Human Resources, please click for last year's report.

Employee Self-Service

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

- Pay statement
- Federal tax exemptions or filing status – view and update
- Home address
- Bank information - including direct deposit
- Stock Options/Future Share accounts
- Benefits Enrollment

Employee Privacy

P&G respects the privacy of every employee and is 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 will be protected with appropriate security systems and used only for intended purposes. Employees will have reasonable access to data that the Company maintains about them and will have the responsibility to maintain the accuracy of the data which they supply.

Harassment Policy

P&G is committed to providing a harassment-free work environment that enables employees to contribute to their highest potential. This maximizes the competitive advantage of our diverse work force. 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.

Employee Training and Development

At P&G, our future business success is dependent on the excellent performance of all our people. We believe it is the responsibility of all individuals to continually develop themselves and others. We build our organization from within, promoting and rewarding people based on their contributions and performance.

P&G employees have access to a variety of training programs, from traditional classroom learning to E-learning, which includes Web-based training, computer-based training, live distance learning (virtual classrooms) and digital collaboration. Training material is delivered via a variety of methods, including the Web (Internet, intranet and extranet), audiotapes and videotapes, satellite and cable TV, and CD-ROMs.

P&G uses E-learning in many ways – from corporate-wide CEO webcasts, to computer application training at employees' desks via a Web-based course, to live distance learning delivery of traditional classroom courses.

Insurance Systems

The goal of the Corporate Insurance Program is to optimize the financing of insurable risks to minimize costs while providing protection from the effect of potential major loss.

For more information on Insurance Systems, please click for last year's report.

Human and Environmental Safety of our Products

Product Safety and Regulatory Affairs (PS&RA) addresses issues related to products and packages. 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 questions or issues about products and packages, such as their compatibility with waste management systems, natural resource use or issues of "perceived safety."

For more information on Human and Environmental Safety, please click for last year's report.

Worldwide Health, Safety & Environment Systems at Manufacturing Operations

Health, Safety and Environment (HS&E) is a global community of resources responsible for ensuring that the approximately 130 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 all waste from sites is reduced as much as possible. Several thousand employees spend all or a portion of their time on HS&E management, which totals more than 1,350 full-time equivalents.

For more information on HS&E Systems, please click for last year's report.

Medical Systems

The Global Medical community of practice advises and assists management and employees in assuring a safe, healthy work environment through the delivery of preventive health and clinical services which optimize business contributions. Medical systems apply not only to people in manufacturing operations but also to people in all Company operations (e.g., Research & Development, Sales).

Global Medical manages health issues which may impact 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 directly flow from specific P&G Principles, Values and other compelling business needs.

Beijing Red Cross

P&G medical systems are helping to improve lives as local communities learn about our science-based practices. A prominent example of this was the coverage last year that the Beijing Red Cross provided on our emergency medical care systems in their newspaper. The Beijing Red Cross also arranged for one of China's national television stations, Beijing TV1 (BTV1) to broadcast a feature on the emergency care operations of our Beijing Plant. China Central TV2 (CCTV2) invited one of our Medical First Responders to share his experiences on one of its broadcasts. In addition, our First Responders participated in training other First Responders in the local Beijing community.

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 GBU 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 & Business Associations

P&G holds membership in many industry, business and environmental associations whose activities are related to the Company's. Below are recent changes.

Europe, Middle East and Africa

In 2001, P&G joined CSR-Europe. For more information on the organization, please see box below.

For a complete list, please click here.

CSR - EUROPE

CSR-Europe is a business-driven network with the mission to help companies achieve profitability, sustainable growth and human progress by placing Corporate Social Responsibility (CSR) in the mainstream of business practice. It seeks to develop tools and capacity-building programs of best practice. It undertakes projects on specific issues, such as diversity, CSR education, measuring human rights performance, etc. It works in partnership with its member companies and with the European Union (EU) institutions. Examples include in-company training, stakeholder events and a European road show, with the support of the European Commission, to advocate the business case for CSR. P&G is among more than 40 member companies at the European level, and several P&G national organizations belong to the National Partner Organisations (NPOs) in the member states. With the strong list of members and the 15 NPOs, CSR-Europe is a capable partner for dialogue with the EU institutions on CSR matters, especially the Directorates of Employment and Social Affairs, but also the Directorates of Trade and Enterprise, and with the rotating EU Presidencies.

Latin America

In 2001, there were no changes since last year.

For a complete list, please click here.

First Latin American Conference on Business Social Responsibility

The Venezuelan State Oil Company, together with key business organizations such as the Venezuelan Business Council for Sustainable Development (CEVEDES), carried out the first Latin American Conference on Business Social Responsibility in June 2001. P&G led creation of the Venezuelan Chapter of the Business Council for Sustainable Development in late 1999. P&G currently holds the vice presidency of this organization. This conference was especially relevant because Venezuela is at the dawn of a new stage in its democratic life. This requires a greater effort to successfully insert the country in the world economy to accelerate economic growth and overcome the poverty and ignorance that afflict its population. During the plenary session, P&G shared its vision for how globalization helps accelerate development of the country. P&G also participated in a panel discussion of the bottom-line benefits of adopting sound business responsibility practices and exemplifying how P&G Venezuela leads United Fund activities and has carried out environmental education programs among grammar school children in Caracas.

North America

In 2001, there were no changes since last year.

For a complete list, please click here.

Global Environmental Management Initiative

The Global Environmental Management Initiative (GEMI) is a nonprofit organization of leading companies dedicated to fostering environmental, health and safety and sustainable development excellence worldwide through the sharing of tools and information in order for business to help business. Through the collaborative efforts of its members, GEMI promotes a worldwide business ethic through example and leadership. P&G is a founding member and participates in several of the GEMI work groups.

GEMI's Sustainable Development Work Group is creating a detailed and comprehensive sustainable development planning tool that can be used by a company to establish baseline performance, assess opportunities, set goals and evaluate progress against objectives. This tool should address all three aspects of sustainable development: environment, economic development and social equity.

As companies attempt to integrate sustainable development concepts into their business processes, it is critical to articulate what the desired outcome should be and how it adds value. Through use of the planning tool, companies can help identify and shape the critical issues that are important to their particular business activities.

For more inormation about GEMI go to: *http://www.gemi.org*

Asia

In 2001, there were no changes since last year.

For a complete list, please click here.

P&G Leads Technical Training

P&G Philippines Inc. (P&GPI) is leading the industry association Chemical Industry Group (CIG) by sponsoring a technical training course for government decision makers of the Environmental Management Bureau (EMB). Through this training, government delegates were provided with a broad range of technical tools to help them evaluate Pre-Manufacture Pre-Import Notifications (PMPINs). Speakers from CIG member companies shared their expertise in toxicology and hazard identification. P&G discussed environmental risk assessment and chemical control regulations in the United States and Canada.

One of the major achievements of the training course has been the mutual understanding between the EMB and CIG, which streamlines the PMPIN review process by minimizing data requirements. The EMB agreed to simplify the review criteria for notified chemicals in the Philippines that have already been approved for usage without restriction in the United States, Canada, EU, Australia and Japan.

This example shows how effective collaboration between government decision makers and CIG member companies can address the needs of both government and industry.

EMB participants, industry organizers and resource speakers

Worldwide

In 2001, there were no changes since last year.

For a complete list, please click here.

Leveraging Innovation and Markets for Everyone

During a luncheon at the U.N. Headquarters in New York City this past spring, the World Business Council for Sustainable Development (WBCSD) released a report entitled Sustainability Through the Market: Seven Keys to Success. The report, co-authored by Chad Holliday, CEO and Chairman of DuPont, and John Pepper, Chairman of P&G, shows how open, transparent markets can drive sustainability and makes the business case for implementing sustainable practices. It also outlines seven keys to successful implementation and illustrates the economic advantages of doing so with real-world case studies involving some of the world's most successful companies.

Speaking at the event, John Pepper outlined the importance of making the market work for everyone. "P&G products are sold in well over 130 countries around the world, in remarkably different cultures and economic environments. But we know that still only a minority of consumers in developing markets can afford our kinds of products. Typically, 70 percent of the world's population is left out of the market when it comes to the latest technology and innovation. We know that entirely new business models must be developed if we're to make our products accessible to the entire world – if we're to truly improve the lives of the world's consumers."

Mr. Pepper provided examples of how P&G has contributed to improved health care by providing tuberculosis vaccinations in Africa through a UNICEF partnership and to education in China by building schools through a partnership called Project Hope, with local governments (see page 15 for more details). He also challenged the people present to understand what a better quality of life would look like for all people in the future, and he asked them to consider how they could leverage innovation and markets for the benefit of everyone.

For the full report, go to:
http://www.wbcsd.org/newscenter/reports/2001/stm.pdf

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 formal 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 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 on the ground 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.

Building A Great Wall of Health in the New Century

When the Chinese Ministry of Health (MOH) launched a nationwide community health education program, the Safeguard brand, known for its anti-bacterial benefits, responded by sponsoring the program "Building A Great Wall of Health in the New Century."

Through this program, Safeguard provided two million yuan ($240,000) to the Ministry of Health for development and distribution of educational pamphlets that included information on the Safeguard brand.

During the program kickoff at the symbolic Great Wall in Beijing, MOH Vice Minister Peng Yu expressed China's appreciation of Safeguard's effort to help China's community health education and P&G's generous sponsorship of China's education and health causes. P&G Chairman John Pepper reaffirmed P&G's commitment to improving Chinese people's lives through superior products and contributions to worthy causes.

Always School Program

In the year 2000, P&G re-launched its Always Schools Program in Egyptian schools. As part of the $1 million project, Always is building 50 one-classroom schools in rural areas over a period of ten years to help children, especially girls, pursue basic education. These girls usually drop out of schools because their families either cannot finance their education or because there are no "girls schools" in the neighborhood. The schools consist of one classroom, where girls of different ages can pursue their education under the supervision of the Ministry of Education.

P&G Pitches In to Help Feed Children

P&G Peru pitched in to help feed approximately 1,000 children in the city of Lima. Critical cuts in the government budget forced the City of Lima to reduce the food supply in its largest child care center. P&G Peru joined forces with private companies (Coca-Cola, Duke Energy) to upgrade the food supply and maintain the quality of food for the children at an acceptable level.

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 upcoming 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 direct meetings with the authorities and comments on authorities' position papers and industry position papers. Activities like these can be very important to ensure the Company's needs are understood and taken into account whenever decisions are being made that can influence any aspect of 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.

Ace and Cholera Campaign

In mid-August 2000, an outbreak of cholera was reported in Kwa-Zulu Natal, South Africa. The epidemic spread rapidly, and to date on a national basis, a total of 105,955 cases have been reported with 226 fatalities. Worst hit were the provinces characterized by a high percentage of migratory workers, poor sanitation facilities (in some instances less than 20 percent latrine coverage), and a lack of available drinking water. Environmental surveys undertaken during the epidemic indicated that a majority of rivers in the affected areas were infected with *V. cholera* (01 type Eltor). This was important, as this strain is resistant to the usual antibiotics used as treatment. Furthermore, most of the occupants of the surrounding rural areas were reliant on use of these streams and rivers as their only source of water.

In response to this epidemic, a multiple-pronged approach was adopted by health officials in an attempt to combat the spread of cholera. One of the strategies adopted involved educating people in these areas on good hygiene and the risks associated with drinking contaminated river water. This is where the Ace team was of immediate help. A few years prior to the outbreak, Ace had developed a water treatment program that it had run in conjunction with the Department of Water Affairs and Department of Health. The program consisted of several posters developed in English, Afrikaans, Zulu and Xhosa. Two sets of posters had been developed: one set identifying the four steps to purifying water, and the second listing the do's and don'ts of good hygiene practice. Having an existing template and program, Ace was able to immediately step in and offer help.

First stop for the Ace team was to visit the Provincial Hospital at Port Shepstone, one of the worst-hit areas in Kwa-Zulu Natal province. Here both Ace posters and product were donated to the hospital staff to use and also to give to patients returning to their villages after treatment. The staff of the hospital were trained on the four steps of purifying water and how to explain this information to patients.

As the epidemic spread farther north, the Ace team worked with local health authorities to donate product that could be distributed in affected areas. A total of 5,280 liters of Ace were donated to the Gauteng provincial health authorities to use during the campaign, with emphasis on the need for educating people about the risks of using contaminated water and how to keep their drinking water clean.

Subsequent to the cholera epidemic, health authorities have accelerated their drive to educate people regarding clean drinking water, and there is hope that a recurrence can be prevented.

NGOs: Local - Regional - Global

For more information, please click for last year's report.

Scientific Community

For more information, please click for last year's report.

Consumers

The consumer is boss at P&G. Consumers are consulted at the beginning of every product's development. In fact, even before a project is established, P&G technologists conduct extensive consumer interviews to find out what are the real consumer needs, what are viewed as shortcomings in current products and where needs today are unmet.

Based on this consumer understanding, new test products will be developed. After screening the new test product to ensure there are no possible safety concerns with the formula, P&G exposes the test product to panels of consumers for their evaluation. The test product will be adapted and fine-tuned to meet consumer expectations. The adapted product will again go through safety and legal screening to ensure it is safe and complies with all relevant legal requirements.

Once the product is on the market, consumers will contact us with their comments on day-to-day use of the product. All over the world, P&G has Consumer Relations organizations where consumers can get a response to any questions or comments they may have. These comments can range from product performance to aesthetics to requests for help with accidents with the product (e.g., small children drinking liquid detergent). P&G Consumer Relations people are trained to give advice and background information and, where needed, to channel questions to other professionals to ensure the consumer is helped rapidly and effectively.

P&G receives more than five million consumer contacts worldwide each year through 800-line phone calls, E-mails and written correspondence. Comments – both positive and negative – help us retain product features consumers like and make further improvements. We've made great progress in establishing one set of standards around the world to track comments, giving us a consistent means of understanding consumer needs, both globally and regionally.

For example, Safeguard introduced a bow-tie shaped bar soap in North America based on the bar's successful reception in Asia. North American consumers let us know they disliked it, preferring the original pillow shaped bar. Acting on this feedback, we reintroduced the original.

Comments also give us insights into how consumers perceive our products. Downy consumers told us the name "Premium Care" made them think this version carried a premium price. By changing the name to "Downy Enhancer," we helped consumers understand they're getting additional performance benefits at a better value.

Combined Stakeholder Dialogues

P&G convenes workshops, inviting scientists, regulators and NGOs to come together to discuss specific issues and to 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.

Strategic Alliance to Combat Child Malnutrition

UNICEF and the P&G Nutrition Science Institute, along with other institutions that work actively in health and nutrition in Venezuela, including the National Institute of Nutrition, the Center for Research in Nutrition of the University of Carabobo, the Bengoa Foundation, and the Society of Venezuelan Pediatrics, formed a strategic alliance to combat child malnutrition. The alliance incorporates: 1) research to better understand the nutritional status of the Venezuelan population; 2) education and communication to raise awareness of the causes, consequences, and ways to prevent malnutrition; 3) sponsorship of annual scientific symposia to raise the awareness of health professionals of the nutritional status of the Venezuelan population; and 4) recognition of exceptional contributions of professionals with an annual award. The initial efforts of the alliance will focus on essential micronutrients, including iron, vitamin A, iodine and zinc.

Life Cycle Assessment

Life Cycle Assessment (LCA) is a tool that can be used to assess environmental improvements, over time, of a product or service. P&G has a dedicated LCA team that supports the various business units by performing LCAs on products and processes. In addition, P&G participates in industry LCA task forces and external research projects. For example, P&G has joined OMNIITOX (Operational Models and Information Tools for Industrial Applications of Eco/Toxicological Impact Assessments), a European Union research project under the Competitive and Sustainable Growth Program. In order to identify research needs and fine-tune our OMNIITOX detergent case study, P&G invited representatives from the academic community, the chemical industry (both suppliers and competitors), authorities and NGOs to a stakeholder workshop in June 2001. P&G has opened its OMNIITOX work program for review by a wide range of outside experts and stakeholders.

Shareholders

Shareholders are important stakeholders at P&G. P&G has 1.3 billion shares of stock outstanding. These shares are owned by large institutions and mutual funds, retirement programs, individual investors and employees throughout the world. Approximately 50 percent of our shares are held by individuals, with nearly 20 percent held by employees and retirees. 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 measure for tracking our success for shareholders is Total Shareholder Return (TSR). TSR measures how much value our investors receive as a result of owning P&G stock. We track TSR against 29 companies in similar industries, such as consumer, health care and beauty products. P&G tracks performance to compensate key managers based on how well they increase shareholder value. Our Shareholder Relations team is available every day to answer questions, listen to shareholder feedback and provide perspective on Company decisions.

Disaster Relief

Floods in Chile

Early this year, several regions of Chile suffered devastating floods that left thousands of people without homes. P&G Chile helped in the relief efforts by providing 200,000 disposable diapers, 11,000 feminine pads and other products such as toilet soaps, toothpastes, shampoos and even Pringles potato chips to alleviate the suffering of the affected people. Part of the donation was delivered via a social assistance institution called "Hogar" and part was delivered directly to the city of Carol Urzua de Puente Alto, one of the cities hardest hit by the floods.

El Salvador Earthquake

In January 2001, El Salvador suffered its worst tragedy ever as a major earthquake rocked the entire country and totally devastated several small towns. Immediately after the disaster, P&G El Salvador confirmed that all direct employees and their families were safe. However, six indirect employees suffered serious damage to their homes, forcing them to move to shelters. We located these people and their families and helped them move to homes out of the high-risk areas by paying them two months' rent.

In the meantime, P&G Guatemala arranged the quick transport of two container trucks carrying 2,440 cases of Magia Blanca liquid bleach and several cases of Pepto-Bismol, Vicks VapoRub and Vicks Formula 44. P&G Mexico and P&G Venezuela also delivered important product donations, such as diapers, soaps, detergents, sanitary napkins, etc. To handle the donations, P&G worked closely with the Rotary Club of San Salvador to assure effective delivery of the products to the most affected people, hospitals and shelters.

Rebuilding Communities In India: A Partnership Project between SSP and P&G

In January 2001, the Kutch district (Gujarat, west India) was devastated by India's worst-ever earthquake. Damage was immense, and the loss of life and livelihood was catastrophic. The death toll exceeded 30,000 people, and more than 500,000 people were left homeless. Rebuilding lives and livelihoods along with life-support systems such as shelter, health care, schools, ration shops, water supply and sanitation, may take years.

P&G collected approximately Rs. 42 lakhs (about $90,000) from employee and Company contributions. These funds are being productively deployed in conjunction with a prominent Mumbai-based NGO, Swayam Shikshan Prayog (SSP), which has prior experience in earthquake rehabilitation work and also has an ongoing relationship with the United Nations Development Program. The project with SSP is based on developing women's groups for long-term sustainable growth of the affected villages through capacity building, rebuilding of community infrastructure and provision of services.

As of July 2001, the project has spent Rs. 11.7 lakhs (about $25,000) for the construction of community centers and the operational costs of running the rehabilitation program, benefiting 25 villages (3,750 families, 22,500 people) in the Kutch district.

Performance

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

Process for Data Collection

All data are reported on a global basis unless specifically noted. 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.

To ensure the standard collection of data, the Company has the following work processes in place:

- Key terms are defined
- The data to be collected are identified
- Flow sheets are agreed upon regarding who collects data and on what systems
- Technically sound methods are used by facilities to estimate data and validate year-to-year results
- Personnel are trained on the work processes, as appropriate

P&G's data collection systems 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 the data.

Acquisitions and Divestitures

All facilities that operate during the fiscal year reporting period, including recent acquisitions Dr. Johns SpinBrush and Moist Mates, reported data. The recent acquisition of Dr. Johns SpinBrush and Moist Mates didn't materially change any of our performance data. For divestitures, wastes and emissions are estimated for the last year in which they operated.

Major Impacts Associated with Products and Services

Environmental Protection
- Resource Use (Materials and Energy)
- Water
- Waste and Emissions

Social Responsibility
- Health
- Hygiene
- Education

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

P&G's products and services use resources and generate wastes and emissions. P&G is committed, through its Environmental Quality Policy, to *reduce or prevent* this whenever possible.

The social and economic benefits associated with P&G's business aim to *improve the lives of the world's consumers*. We do this by providing innovative technologies that represent value to our customers. We can provide employment in our communities, support the local and national economy through taxes, contributions and purchases, and increase shareholder value. By providing products and information on their appropriate use, we improve the health and hygiene of consumers through more effective and better-valued products.

Generally Applicable and Relevant Indicators

Environmental Protection

As the diagram on the next page 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. To give a more comprehensive understanding of materials used, data for packaging and manufacturing operations are provided below.

The waste summary is presented in two ways: The table below presents the data in metric tonnes by Global Business Unit (GBU). The following sections present the data graphically in an eco-efficient format; in other words, the graphs show production per resource consumed or waste generated. Graphs indicating an increasing trend show that there is an increase in efficiency of the process, i.e., less burden per unit of production.

The environmental data presented in this report (unless otherwise stated) are based on the World Business Council for Sustainable Development's eco-efficiency project.
http://www.wbcsd.org/newscenter/reports/2000/MeasuringEE.pdf

Manufacturing Resource & Waste Summary

All units are in thousands of metric tonnes unless otherwise noted. 1 tonne = 1,000 kg = 2,205 lbs.

Measure	Total			2000/2001 Global Business Unit Details				
	2000/01	1999/00	1998/99	BC	BFFC	FHC	FB	HC
Production								
Product Shipped	15,808	13,936	13,269	893	3,510	8,248	2,179	978
Raw Materials from Recycled Sources	208	476	380	0	208	0	0	0
Waste								
Generated Waste	910(830)*	879	863	57	472	140	214(134)*	27
Percent Recycled/Reused Waste	51%	55%	56%	34%	65%	62%	39%	54%
Disposed Waste								
Solid Waste — Non-Hazardous	376(296)*	317	271	27	199	29	113(33)*	8.0
Solid Waste — Hazardous	13	12	27	3.3	0.9	8.0	0.2	0.5
Effluents (Excluding Water)	36	39	31	3.7	7.4	11.1	11.2	2.1
Air Emissions	15	19	20	0.5	6.3	2.4	5.5	0.4
Other								
Energy Consumption (10^5 GJ)	1,068	1,080	967	43	656	216	110	43
Water Consumption (MM cubic meters)	88.1	87.0	83.4	4.9	55.8	15.8	9.0	2.6
SARA Releases (1,000 tons)**	1.7	1.9	1.6	0.02	0.01	1.2	0.08	0.41

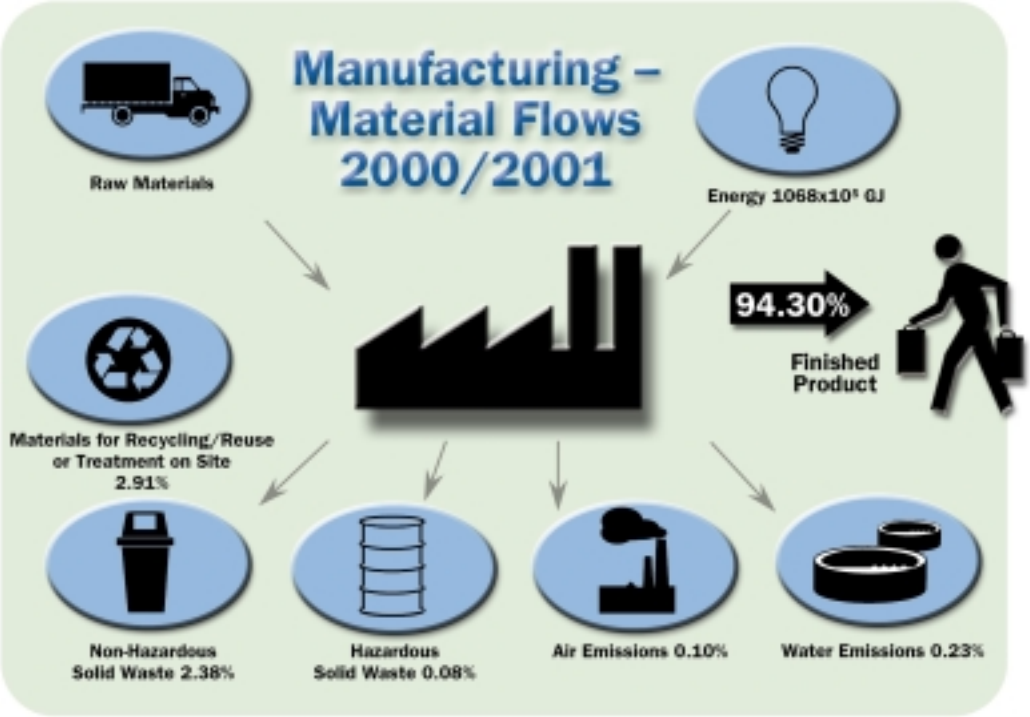
* Waste from process sources decreased. Total wastes would be 80,000 metric tonnes less if demolition wastes were excluded.
** Releases defined in the U.S. Superfund Amendments and Reauthorization Act by the U.S. Environmental Protection Agency.

NOTE: BC - Beauty Care; BFFC - Baby, Feminine, & Family Care; FHC - Fabric & Home Care; FB - Food & Beverage; HC - Health Care

Packaging Data

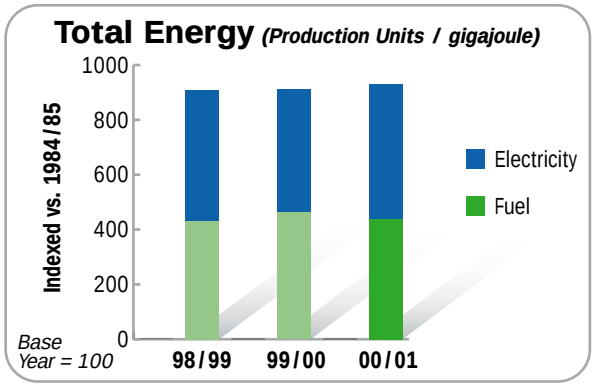
Worldwide, P&G has reduced the use of packaging materials by 25 percent compared to the base line of 1989/90. For the past four years, the amount of packaging materials used has consistently been below 10 percent of the total weight of product shipped. These achievements have been made possible by the use of innovative packaging technologies. We have reduced, redesigned or completely removed many different types of packages over the years.

As a result, we will not be reporting on packaging material usage this year. We will continue to monitor our packaging usage and fulfill our obligations to report our packaging material usage through many different local organizations. If the packaging material usage trend alters and weights begin to dramatically increase, we will reassess our reporting practices.



Energy Eco-Efficiency

Energy efficiency has remained flat over the past three years even though P&G is more than nine times more efficient (nine times production for each gigajoule used) since 1985 due to product mix and energy reduction efforts. Over the past three years, there have been slight, but not significant, changes in the mix of fuel use and electricity.



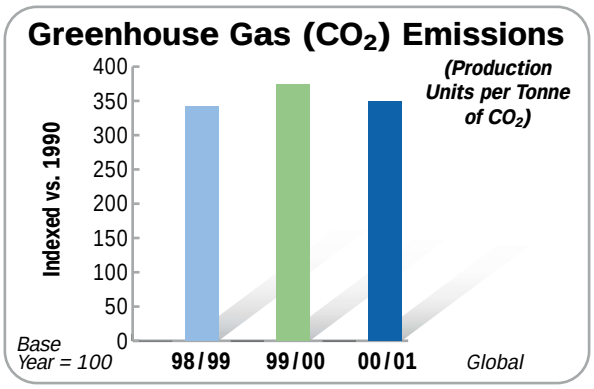
To manage energy efficiency of new projects, the Company uses life cycle cost analysis before the projects reach the site. This analysis compares up-front capital costs to the ongoing expenses. For example, spending money up front to fully insulate a building is compared to the ongoing expense of heating or cooling the same building.

The Company also does a loss analysis at the site level. Losses are defined as anything not shipped out the door as product, including energy use. When energy is identified as a major loss at a site, it receives intense focus for reduction.

Greenhouse Gas Eco-Efficiency

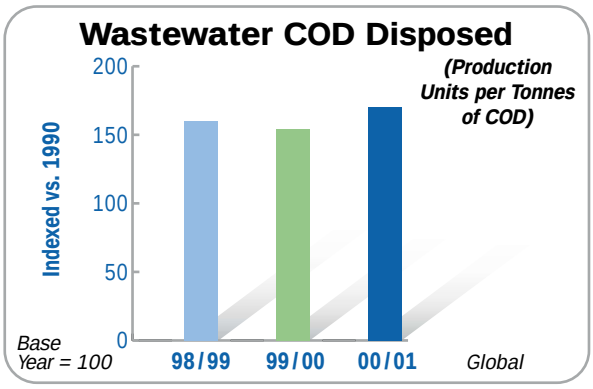
Eco-efficiency of greenhouse gas has declined slightly this year. Still, the eco-efficiency indices for fiscal year 2000/01 demonstrate three times more production per tonne of CO_2 emissions since 1990. There has been a shift from fuel combustion to electrical generation and also a shift away from fuel oil to natural gas.

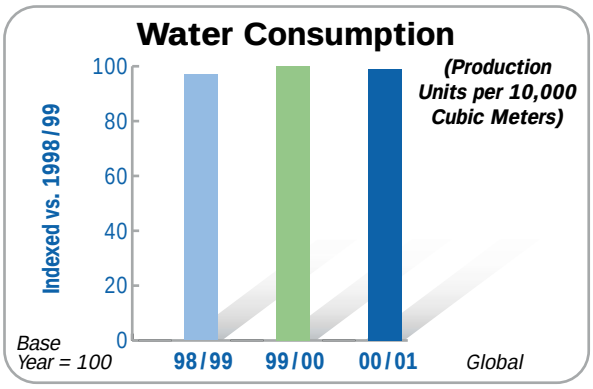
In addition, the absolute CO_2 emissions are still much lower than the 1990 baseline. The decrease from 1990 resulted from the sale of pulp mills in the United States and Canada and the conversion of coal to natural gas in the United Kingdom and China.



Water Eco-Efficiency

Production per unit of COD (Chemical Oxygen Demand) went up ten percent while production per wastewater consumption went down slightly. Since 1990, water eco-efficiency, or production per unit of COD, has increased 70 percent. Sites began tracking the consumption of water three years ago. Water eco-efficiency has remained steady this year. Overall, water use is up slightly even though P&G's largest user of water, the Baby, Feminine, & Family Care Business Unit, has remained flat. Efforts are underway to develop further plans to reduce water consumed by the Family Care business.





Witzenhausen Family Care Plant Water Improvements

After reducing waste cost by 83 percent in fiscal year 1999/00, the Witzenhausen plant in Germany reduced fresh water consumption in fiscal year 2000/01 by 37 percent and wastewater discharge by 64 percent. This resulted in a total annual saving of $180,000 and the lowest water consumption of all P&G tissue plants. The site focus in fiscal year 2000/01 was to cut fresh water consumption and resulting wastewater discharge significantly. To take full advantage of reduced flow, the plant negotiated a contract with the local publicly owned treatment works (POTW). Since fees are based on freight weight, continued reductions would result in costs savings.

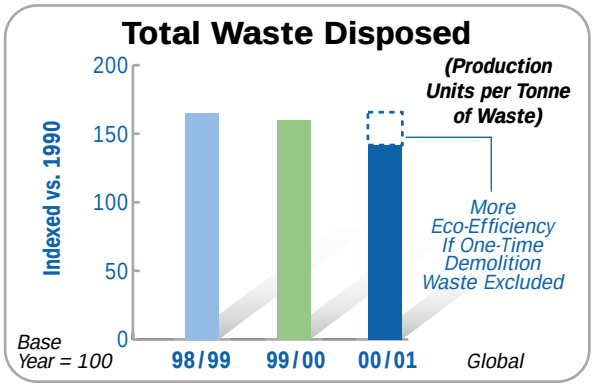
The first step was to analyze which excess chemicals were still in the wastewater. A process change was necessary to systematically reduce the identified chemicals without any impact on the finished product. To assess the potential impact, we benchmarked other 100 percent closed-loop mills. To deal with the reduced freight and volume and the resulting higher wastewater concentration, a test plan was established and agreed upon with the authorities and a neighbor company. By reducing the water consumption step-by-step and evaluating in parallel the impacts on product quality, processing ability and wastewater, parameters decreased to 0.8 - 1.0 m^3 of wastewater per tonne of produced tissue. For comparison, the current average wastewater consumption per tonne in the European tissue industry is 10.6 m^3 per tonne, and the lowest known consumption is 5.5 m^3 per tonne. Witzenhausen is now the benchmark in P&G and the tissue industry. Experiments are ongoing to evaluate further wastewater reductions.

New Wastewater System

Last year, the Shortening and Oil business at the Ivorydale Plant in Cincinnati, Ohio, U.S., upgraded its wastewater pre-treatment system. These improvements have significantly reduced waste, treatment costs, time and labor, and improved the quality of the wastewater. Previously, process wastewater from the Crisco Shortening and Oil business was treated in a series of fat traps and then discharged to the local publicly owned treatment works (POTW) for further treatment. The old fat trap system was very inefficient in removing vegetable oil and grease, and pH neutralization was unreliable, requiring continual manual intervention. The old system resulted in high biological oxygen demand (BOD) sewer charges ($1.5 million per year), and the plant experienced several pH exceedances. The old fat traps were also unsightly, difficult to maintain, and sometimes the source of offensive odors.

The initial focus of the improvement project was to reduce the worker effort required to operate and maintain the fat traps. As the project progressed, additional issues were addressed. In 2000, the four fat traps were eliminated and replaced by an oil-water coalescer and automatic pH neutralization system. This equipment is very efficient in removing oil and grease from the wastewater. The Plant's sewer charges have been reduced due to better quality wastewater discharged to the POTW. The oil and grease removed from the wastewater is sold as a by-product, generating an income that offsets coalescer operating costs. The pH neutralization system has eliminated the pH exceedances while reducing the cost of neutralization chemicals. The new system requires less operator attention and has improved appearance and odor in the plant. The overall project savings are approximately $1 million annually.

Waste Disposed Eco-Efficiency



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

Production per unit of waste (disposed) would have increased nine percent without the one-time disposal (>80,000 tonnes) of construction debris. With all waste included, productivity declined 11 percent.

P&G's pollution prevention and Design Manufacturing Waste Out programs have saved more than $500 million cumulatively in the past six years, while reducing waste production by one-third.

True Civic Spirit

In Ireland, the action of P&G's Nenagh plant to save a recycling depot has been lauded as "an example of true civic spirit" by a local newspaper.

The Nenagh Household Waste Recycling Depot was forced to close in 2000 due to lack of funds. This frustrated many local residents, including employees at P&G's factory in Nenagh.

But rather than just complain about the closing of the depot, the P&G Community Relations Team in Nenagh decided to take action. P&G agreed to make-up the funding shortfall in the amount of £75,000 ($87,000) over the next three years. This has allowed the recycling depot to re-open for waste collection. Additionally, the funding has enabled the depot to begin a curb-side collection scheme for recyclable wastes in Nenagh which will further increase the quantity of waste recycled. Now P&G employees are being urged to make full use of the re-opened depot for the recycling of glass, plastic, paper, cardboard, old clothes and metal cans.

Social Responsibility

Philanthropic Contributions

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

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

	2000/01	1999/00	1998/99
Total	$27,503,686	$28,292,768	$27,585,008

P&G's contributions and community activities are an important part of achieving the Company's purpose of improving the lives of the world's consumers. During the past year, P&G through The P&G Fund has provided support to more than 1,500 organizations.

Diversity Data — Global Enrollment

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

Global Enrollment % Female	2000/01	1999/00
Management	34.5	34.1
All Other Employees*	38.0	39.3

* *The category of "All Other Employees" continues to be an evolving global database as more of P&G's plants are included. The database is expected to be complete by 2001/02. Changes in this category between 1999/00 and 2000/01 are reflective of the addition of more plant sites, which tend to have higher levels of male enrollment.*

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

	% Minorities			% Female		
	2000/01	1999/00	1998/99	2000/01	1999/00	1998/99
Management	15.8	15.9	15.8	34.1	33.7	33.1
All Other Employees (Administrative, Technical and Plant Technicians)	18.4	18.8	18.5	38.8	39.7	39.9

Wages

P&G supports paying employees a competitive wage, as benchmarked with 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.

Restructuring

Fiscal 1999/2000 was a difficult year for P&G and for its many employees around the world. A strong plan was put in place to re-establish the balance between top-line revenue growth and bottom-line earnings growth. However, over the past fiscal year, we continued to face a challenging economic environment, with a slowing U.S. economy and the possibility of a recession. Key economies around the globe were also slowing – Japan, some countries in Europe, some of the developing markets. In order to restore P&G's ability to compete more effectively and to grow more consistently, the previous restructuring program was expanded to further reduce overhead costs, resulting in staffing reductions across the Company.

When downsizing becomes necessary, as it did this past fiscal year, we manage employee separations in ways that are consistent with our values and principles. We maintain focus and priority on our strong commitment to the diversity of our organization. P&G uses a voluntary separation program to maximize voluntary attrition. The program includes severance pay based on years of service, continuation of health care benefits for the severance period, outplacement support services and a retraining allowance. This program is intended to provide a bridge for separating employees to retirement or employment elsewhere.

Industrial Hygiene & Safety

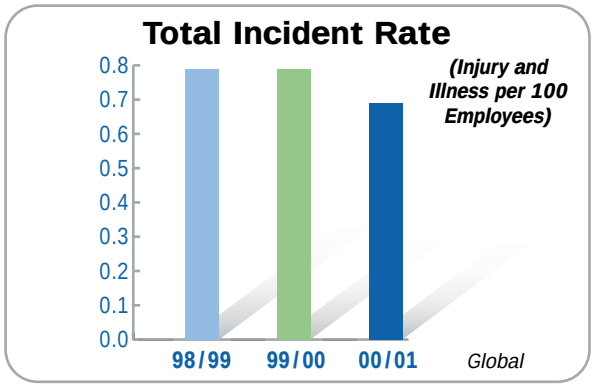
The health and safety of P&G employees are paramount to the principles of the Company.

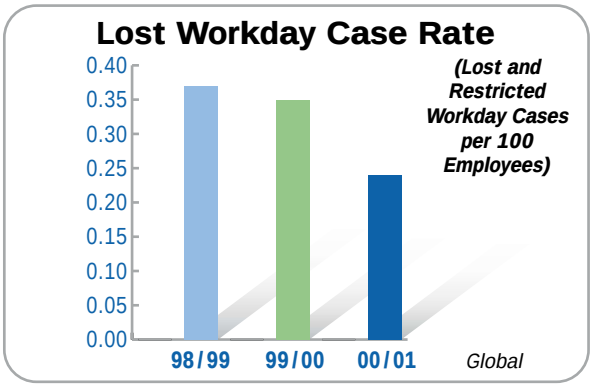
Nothing we do is worth getting hurt.
Safety and health can be managed.
Every illness and injury could and should have been prevented.
Safety and health is everyone's responsibility.

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 is to be below 1.5 cases per 100 employees worldwide. To achieve such rates, programs to address employee safety such as safe behaviors, ergonomics and confined space entry have been implemented. No target has been set for LWDC as P&G believes it must manage incidents that potentially could lead to lost workdays.

The following data are based on criteria established by P&G for use at all worldwide facilities. The data represent all our worldwide manufacturing facilities.





2000 OSHA Results

The P&G U.S. manufacturing sites and technical centers have accomplished a remarkable inspection record with the U.S. Occupational Safety and Health Administration (OSHA). In the five-year period 1996-2000, across approximately 75 U.S. sites, P&G has had only one serious citation, and total fines over the period amounted to $1,300.

Economic Development

Global Purchases

P&G is a global company. We produce our brands in approximately 130 plants in 46 countries around the world. This year, P&G purchased more than $25 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 for the materials and services required to make our products.

HS&E Benchmarking

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

During the past year, P&G completed a major HS&E benchmarking study with seven other multinational companies. This study, led by Pilko & Associates, included BASF, Celanese Ltd., Dow Chemical Company, DuPont, Eastman Kodak, Shell Chemicals, and Solutia Inc. It involved a detailed review of HS&E manufacturing and management systems/ performance.

The top-line conclusions from this study indicated that P&G is in the upper part of this eight-company peer group for HS&E costs and resourcing, and in the middle part of the group for HS&E performance.

Specific conclusions on our performance are:

- Fifth-lowest Injury/Illness Rate for employees
- Fourth-lowest Lost Workday Rate for employees
- Second-lowest penalties paid (in dollars per year per $ billion sales)
- Fifth-lowest property loss (in dollars per year per $ billion sales)
- The lowest HS&E operating costs (in dollars per year per $ billion sales)

P&G shifted more HS&E work to site technicians than any other company. This is the main reason for our lower costs and need for simplified training systems.

We have similar HS&E management systems, though our approach to information and training systems is somewhat simpler than the norm.

Our HS&E performance goals are focused on improvement as compared to breakthrough.

P&G's current HS&E situation is quite positive when compared to peer companies. The long-term challenge is to continue delivering benchmark results.

P&G Cosmetics – Recipients of the Significant Achievement Award

P&G Cosmetics in Hunt Valley, Maryland, U.S., is a second-time Businesses for the Bay award winner. P&G Cosmetics won the Significant Achievement Award last year for successful modifications made to its production process and is being honored again this year for sustaining and expanding upon these improvements. P&G Cosmetics employs approximately 1,200 individuals at this facility and uses teams of employees to identify and implement pollution prevention projects.

The team responsible for identifying source reduction opportunities in the nail polish production line has developed a four-tiered approach that is significantly reducing the use of acetone as a cleaning agent between color changes. The team has continued to sequence the Nailslick shades from light to dark according to shade families, reducing acetone use by 16.9 metric tonnes per year and has been focusing on reducing product waste by 2.3 metric tonnes per year when product needs to be reworked. The facility is also exploring acetone recycling, which would reduce purchases of new acetone by 63.9 metric tonnes per year, and the potential replacement of acetone as a cleaning agent. This past year, the facility instituted energy efficiency measures, reduced the amount of product packaging by 83.5 metric tonnes per year, and began recycling 18.1 metric tonnes per year of shrink wrap. In addition, it reduced the amount of fiber drum use by 36.7 metric tonnes per year.

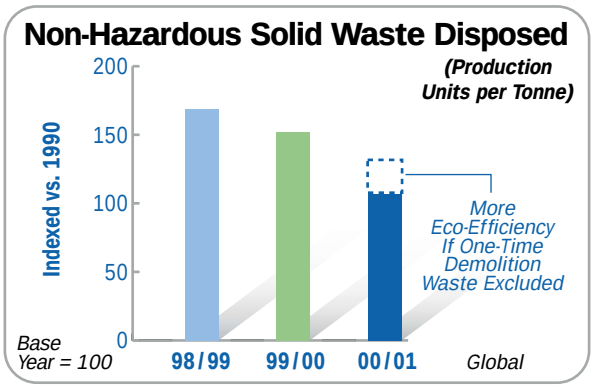
P&G conducts annual waste, energy and cost analyses, provides pollution prevention training for all Product Supply employees and maintains an environmental management system that meets ISO 14001 criteria. P&G has been a member of Businesses for the Bay since 1999.

Company-Specific Indicators

Environmental Protection

Non-Hazardous Solid Waste Disposed

Overall, the non-hazardous waste disposed to landfill has increased this year, resulting in a 23 index point reduction in eco-efficiency (see graph). Much of the impact (80,000 tonnes) is from construction and demolition activities from a single site. Even though there has been an increase in waste generation, P&G has been cost efficient in disposing waste, saving more than $3 million in site treatment costs.

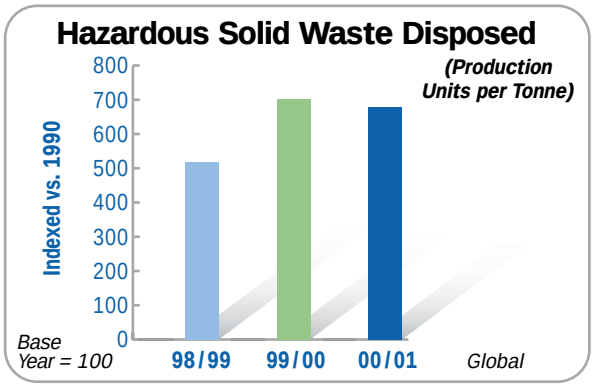


WIN-WIN-WIN Solution to Paper Wastes

P&G Philippines Inc. (P&GPI) signed a Recycling Service Agreement with Union Cement Corporation (UCC). This project will allow P&GPI's paper wastes to be recycled as alternative fuel by UCC. P&GPI's manufacturing plant in Cabuyao, Laguna, produces about 60 metric tonnes per month of paper waste, resulting from normal production line scrappings, e.g., start-up and splice rejects and quality purge. Instead of disposing of its paper wastes in the landfill, P&GPI will now transport these materials to UCC's cement plant in Norzagaray, Bulacan.

Both companies are projected to realize huge cost savings from the joint project. P&GPI can now eliminate several unit processes in its plant operations, such as shredding, transport, and landfilling, which incur huge service fees. On the other hand, UCC can now reduce its fuel requirements for expensive coal by complementing it with cheaper paper wastes. UCC is also studying the feasibility of recycling P&GPI's other waste materials with promisingly high heating values.

But the ultimate beneficiary of this joint project is the environment itself. Solid waste can be converted into cheap alternative fuel. Ecosystems are likewise preserved, as the need to open up new areas for landfills is minimized. Another benefit is that these types of alternative fuels offer relatively cleaner emissions compared to traditional fuels like coal.



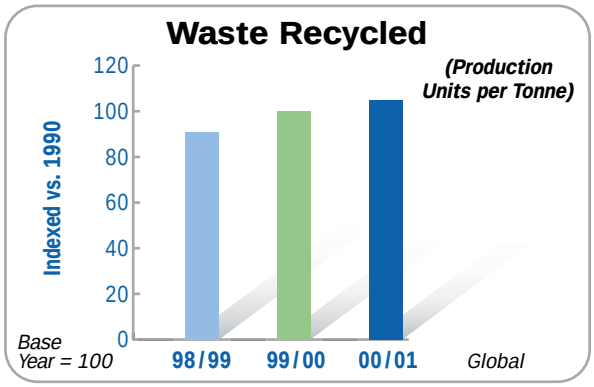
Hazardous Solid Waste Disposed

Globally, reported hazardous waste has increased (shown as lower eco-efficiency) due to many international jurisdictions' expanding their definitions of hazardous waste. Hazardous wastes are defined by regional policies and local rules and thus vary among regions.

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 risks, the number of approved hazardous waste disposal sites that all U.S. plants use is limited. Similar programs have been started in many regions of the world.

Non-Hazardous Waste Recycled

Recycling has been a significant effort within the Company to minimize impacts on the environment. The waste recycled eco-efficiency has improved by eight index points over last year. This equates to a recycling rate that has ranged from 51 to 55 percent over the past three years and has contributed $15-20 million in revenue annually.



Plastic Bag and Stretch Film Recycling Program

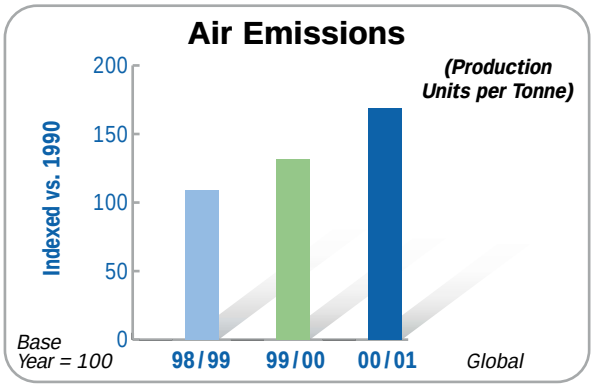
Last year, P&G's Iowa City, Iowa, U.S., plant identified a customer for plastic film and has set up a program to process plastic bags and stretch film from the distribution center.

P&G purchased a baler and received $100 per tonne for this recycled plastic. Last year, we recycled 50 tonnes for $5,000 and saved hauling and landfill fees of $2,500.

To increase savings in 2001/02, we will be expanding the program to the main plant and should have double the volume. As the main plant operation will not store the bales on site, there will be no warehouse costs and lower handling costs.

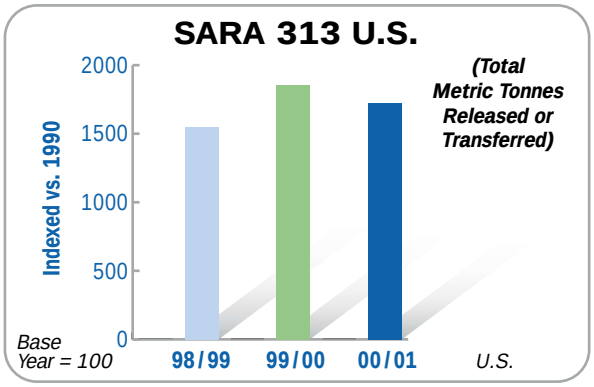
Air Eco-Efficiency

Each site monitors total suspended particulates, volatile organic compounds (VOCs), carbon monoxide (CO), nitrogen oxides (NO_X) and sulfur oxides (SO_X). The total amount of air emissions released has decreased 28 percent, resulting in a higher eco-efficiency.



SARA 313 Releases (United States only)

P&G facilities in the United States 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 tonnes of SARA 313 releases have decreased this year, even though the number of chemicals being reported has increased.



Compliance with Laws and Regulations

There are numerous health, safety and environmental requirements worldwide. Facilities are subject to emission limits and operating requirements embodied in these statutes, regulations, laws and permits. 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 past three years' data on environmental, transportation and worker health and safety violations and interventions follow:

	2000/01	1999/00	1998/99
Number	73	48	46
Fines	$77,070	$13,400	$33,250

A breakdown of 2000/2001 Notice of Violations (NOVs) and Occupational Safety & Health Administration (OSHA) interventions follow:

	Number	Fines
Water based	19	$120
Air based	8	$0
Solid Waste based	2	$1,000
Paperwork	7	$5,250
Transportation based	25	$70,000
Worker Safety (OSHA U.S. Only)	12	$700
Total	**73**	**$77,070**

The increases in fines and NOVs this year are related to transportation of hazardous materials. Plans to improve performance have been developed and are being implemented.

Most water-based NOVs were related to flow rate, pH, oil and grease, involving eight different sites, all of which discharge to municipal treatment systems.

OSHA interventions included any employee, contractor or incident that required OSHA follow-up. Last year's interventions also included three routine visits or scheduled inspections. In 2000, P&G received one serious citation – the first in four years.

Contractor and Visitor Safety

Contractor and visitor safety is an important program at P&G. P&G invests resources to ensure contractor and visitor safety at P&G sites.

The Huang-Pu plant in China is focusing on contractor and visitor safety because there are, on average, more than 500 contractors (1,600 during peak periods) working in the plant. A solid safety program for contractors and visitors is critical. Huang-Pu has developed a safety manual, scorecard system and registration system to ensure safety. As a result, the plant has the leading contractor and visitor safety program in P&G Asia Beauty Care. Huang-Pu's experience will be shared with other sites. This will also help to develop a global program on contractor and visitor safety.

P&G Construction Safety

P&G contract construction operations provided a safe working environment during fiscal year 2000/01. Reporting sites expended more than 16 million construction effort hours. A Total Incident Rate (TIR) of 1.06 was reported. This incident rate is calculated as injuries per 200,000 effort hours (100 full-time employees). The corresponding Lost Time Incident Rate (LTIR) was 0.14. These results compare favorably to an OSHA Recordable Incident Rate of 8.21 and LTIR of 3.67 for the U.S. construction industry during calendar year 1999.

These excellent results allow P&G to pool sites with major workload and self insure Workers Compensation and General Liability insurance. This has saved more than $27 million versus comparable commercial insurance rates since inception of the program in 1993.

The P&G Construction Safety Network champions safe construction operations. The network includes professional safety managers from construction contractors active on P&G sites. The network establishes and documents best work practices, delivers construction safety training, provides a construction safety audit team, analyzes incident information and monitors system results. The Construction Safety Network is dedicated to an overall objective of zero incidents and has enabled continued improvement at all sites which are actively involved.

Social Responsibility

Performance Against Internal Standards

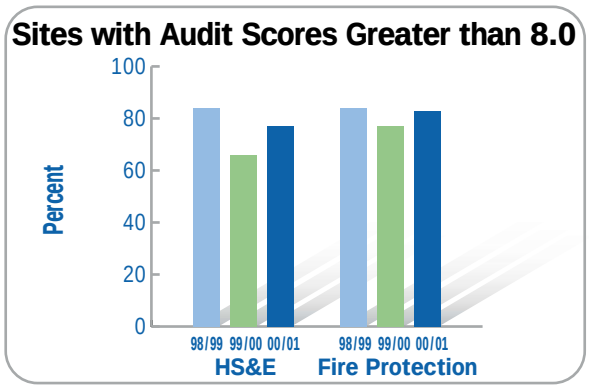
P&G's internal standards go beyond legal compliance and apply to all its facilities worldwide. The fundamental philosophy is to have the same standards worldwide, implemented by trained professionals at all sites and audited each year using a consistent, comprehensive approach. The metrics used are consistent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

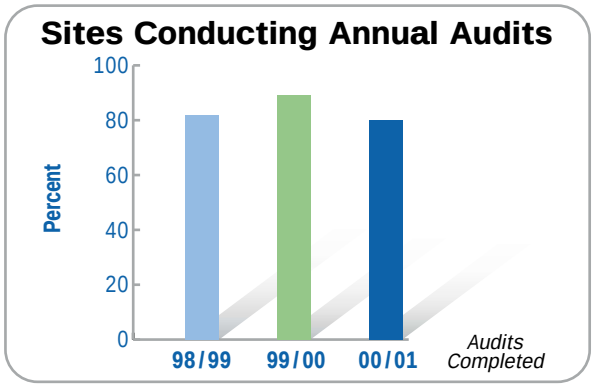
Audit Programs

The 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 business management teams, which 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 10-point scale. The results have improved slightly from last year even though the number of sites receiving audits this year has decreased.

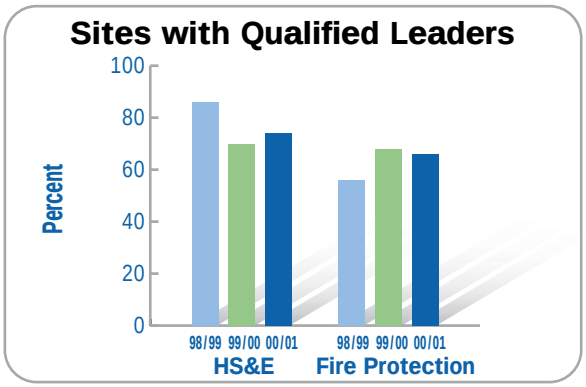
The Company takes great pride in making sure the sites are reviewed on a frequent basis. The graph below shows percent of sites receiving an audit this year. The lower percentage of audited sites is attributed to the large number of new sites joining the Company.





Site Leadership Training

Another key indicator of 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. Currently, more than 70 percent of sites worldwide have leaders qualified by corporate/ GBU staffs. This has continued to improve as more of the acquisition sites are qualified.



Web-Based Training

Following A.G. Lafley's challenge to "become a fully Web enabled company," the Corporate Health, Safety and Environment department is in the process of developing basic training for its employees and delivering this training via the Web. The first training course, "Isolation of Hazardous Energy," has received very positive feedback from customers. By following sound instructional design principles, conducting peer reviews of the material and incorporating customer feedback, HS&E has been able to reduce training time by as much as 50 percent. This allows better retention of the material, in addition to freeing up valuable time.

HS&E plans to develop several more courses in the future. It is also pioneering the use of Long-Distance Learning techniques to allow learners to access training materials and instructors via computer (versus traveling to a class). This will amount to significant savings in travel costs.

Economic Development

At P&G, innovation is our cornerstone. Each year, we invest more than $1.7 billion in research and development – the largest amount among consumer-products companies worldwide. As a result, we now have more than 27,000 patents, and we're granted 3,000 more each year. That's about ten every day. That's terrific output and represents a powerful technical portfolio.

Through our Global Licensing group, we're identifying non-strategic technologies and donating them to universities and research institutions which can more fully develop their potential. Of the 25,000 patents we currently own, we commercialize fewer than ten percent of them. Said another way, we have assets of tremendous value that the world is not fully realizing. We simply invent more than we can commercialize by ourselves.

It's exciting to think that these donations allow all our technologies to reach their full potential, even if no longer in P&G hands. Further, each of these technology donations will foster development work at universities and research institutions, deliver whole new revenue streams to the universities and develop important new technologies that may never be commercialized otherwise. Also, the donations will give next-generation scientists and researchers real-world experience. Finally, there are tax benefits for our shareholders.

This is another example of how P&G's talent reaches into the community. Through technology donations, we have found a new way to contribute P&G's money, people and energies for the long-term benefit of society and education.

Technology Donations, Fiscal Year 2000 – 2001

Through the Technology Donations Program, P&G provides patented technologies to U.S. universities and research institutions. Donated technologies no longer fit into P&G's strategic plans but have significant commercial potential when developed. Universities and research institutions can continue the research efforts, providing a venue for development of potential new products and technologies. This way, everyone benefits. A synopsis of the past year's donated technologies, along with their sustainability implications, follows:

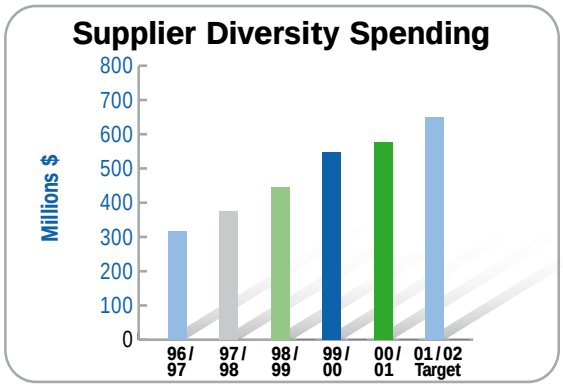
Technology	Recipient	Sustainability Implications
Apollo Photobleaching Technology	Case Western Reserve University	• Developed to offer improved stain removal from fabrics utilizing sunlight • Offers potential use in cancer therapy, utilizing the compound's light-absorbing properties
Super Aspirin COX-2 Inhibitor Technology	Vanderbilt University	• Improve the safety of medications commonly taken for pain, inflammation and fever reduction • Potential for the prevention and treatment of cancer • Potential for the prevention and treatment of Alzheimer's disease
Fiber Fabrication Technology	North Carolina State University	• Improved process for sorting pulp fibers during processing • Reduced need for wood pulp • Significant cost savings • Improved recycled paper products
Hair Re-Growth Technology	The University of Texas Southwest Medical Center	• Stimulates hair re-growth
Volatile Organic Compound (VOC) Prediction Technology	Midwest Research Institute	• Low-cost, simple method to predict VOC emissions from stacks

Supplier Diversity Program

In 1972, P&G established a minority supplier program in the United States to identify and work with minority-owned businesses. At that time, P&G spent $44,000 with six minority suppliers. In 1981, the Company assigned its first full-time manager to lead and develop this effort. Today, the Supplier Diversity Program is staffed by six full-time employees who provide minority suppliers with the following assistance:

- An equal opportunity to do business with P&G.
- Coaching and feedback.
- Financial support, where it is needed.
- Matches between P&G buyers and qualified suppliers.
- Timely payment.
- Realistic and understandable specifications.
- Development of additional opportunities with other P&G vendors, including both supplier and strategic alliance opportunities.

P&G's purchases from minority businesses in the United States have grown from $76 million in fiscal year 1988/89 to $578 million in fiscal 2000/01. The target for 2001/02 is $650 million, which would account for approximately six percent of P&G's U.S. spending.



Final year-end Supplier Diversity spending is $578 million, a five percent increase vs. 1999/00.

P&G Receives Ohio 2001 Minority Business Development Award

Ohio Governor Bob Taft presented The State of Ohio 2001 Minority Business Development award to P&G. The award honors corporations that advance minority business development through investing, mentoring and breaking down barriers to success. P&G has spent $3 billion in the past ten years with minority-owned suppliers.

"We are delighted to be recognized for our commitment to a diverse supplier base," said Rob A. Steele, president of P&G's North America Market Development Organization. "Our programs create jobs, provide new opportunities and most importantly, enable economic self-sufficiency among multicultural communities."

Most recently, this program facilitated the merger of two minority-owned firms, Film Fabricators Inc. and Johnson-Bryce Corporation, to create the largest minority-owned flexible packaging company in the United States. P&G then awarded a $100 million contract to the new entity, the Hall-Bryce Alliance, for its Pampers diaper business.

P&G's investment in minority business enterprises has resulted in ever-increasing expenditures over the past ten years. Purchases from minority suppliers have risen from $85 million in fiscal year 1989/90 to $548 million in fiscal year 1999/00. P&G is also a corporate member of the National Minority Supplier Development Council.

HS&E Program Costs

There are two aspects of Health, Safety & Environment (HS&E) program costs:

1) Capital costs for new HS&E equipment
2) People and operating costs for existing facilities.

Capital costs for 2000/01 were $36 million to ensure compliance in P&G facilities, down from $68 million last year. This included the purchase and construction of pollution control equipment such as wastewater pretreatment systems and air emission controls.

HS&E total costs for operating existing sites in 2000/01 were $185 million (This does not include the $15 million in revenue gained from recycling activities.)

Environmental Liabilities

P&G is also subject to contingencies pursuant to environmental laws and regulations that in the future may require the Company to take action to correct the effects on the environment of prior manufacturing and waste disposal practices. Accrued environmental liabilities for remediation and closure costs were $43 and $47 million on June 30, 2001, and 2000, respectively. In Management's opinion, such accruals are appropriate based on existing facts and circumstances. Current year expenditures were not material.

Sustainability in Action

Key Sustainability Focus Areas

P&G's sustainability focus continues to be Water and Health & Hygiene. P&G has chosen these two major areas as they are applicable across all of the Company's global business units and are the core drivers for sustainability – environmental protection, social responsibility and economic development. While P&G intends to focus on Water and Health & Hygiene, the Company will not forget its long tradition of:

- Doing what is right for consumers, employees, shareholders and communities where it operates.
- Building sales and profit growth in a socially and environmentally responsible manner.
- Increasing diversity within its work force.
- Contributing to a more educated population.
- Maintaining high standards of health, safety and environmental protection for its products and operations throughout the world.

South Africa Hands-On Pregnancy Education Program

Maternal mortality rate in South Africa is 150 deaths per 100,000 live births. For the level of economic development in the country, this figure is exceptionally high (22 times higher than some developed countries). South Africa's women are 12 times more likely to die from complications during pregnancy than their European/U.S. counterparts. The five main causes of maternal mortality are non-pregnancy related sepsis, hypertension, obstetric hemorrhage, pregnancy related sepsis, and pre-existing maternal disease.

The Hands-On program was developed to educate and empower couples to make the right decisions for themselves and their unborn babies, and to contribute towards reducing the maternal mortality rate. Education is essential in reducing some of the factors responsible for the high maternal/pre-natal morbidity and mortality rates in the country. The Hands-On program consists of six training files (Teaching Adult Education; Keeping Women Healthy During Pregnancy; Warning Signs in Pregnancy; Childbirth & Labor; Breastfeeding; Baby Care), teaching aids and posters.

Last year Pampers and the South African Department of Health (DoH) jointly developed the Hands-On program. This program was rolled out at eight test sites in both rural and urban public hospitals and clinics.

This year saw completion of the pilot study. Midwives reported that patients who experienced this program not only understood the correct time to go to the hospital, but also understood and listened during the labor process. Also, they did not hide symptoms for fear they had done something wrong, and they were extremely cooperative.

Based on the success of the Hands-On program, the DoH has asked that the program be made available to everyone. The rollout of a national Hands-On program has now begun.

- **Phase 1:** Roll-out and evaluation of the program at Provincial Test sites [2001]
- **Phase 2:** Expansion to 1,500 strategic hospitals throughout the country [2002]
- **Phase 3:** Target the remaining public clinics and hospitals via mobile clinics or on-site implementation [2003]
- **Phase 4:** Update program content [2002 and ongoing]

Pampers has led a fundraising campaign among industry to raise ZAR 1 million ($122,000) to provide 1,500 clinics and hospitals with the program. Pampers has also established a nonprofit organization to ensure appropriate management of these funds. The World Health Organization (WHO) is supporting the program and has already provided funding that enables the program to be rolled out at the provincial test sites. WHO has also committed to support and provide additional long-term funding for national roll-out of the program.

The P&G Alliance for Women's Well-Being Provides Information and Inspiration

P&G has always been committed to addressing the health and personal care needs of women. As part of this commitment, The P&G Alliance for Women's Well-Being* continues to support the Speaking of Women's Health Foundation, a nonprofit organization dedicated to educating women to make informed decisions about their health, well-being and safety.

Speaking of Women's Health began as a one-day conference in Cincinnati in 1996 and has now grown to more than 35 conferences nationwide, reaching more than 20,000 women this year. Conferences are one- to five-day events featuring seminars, exhibits, workshops and social activities. The goal is to provide women a friendly, sociable and non-intimidating atmosphere where they can enjoy speakers, workshops and exhibits about important health topics, including osteoporosis. New this year, in celebration of Black History Month, Speaking of Women's Health and The P&G Fund presented a special conference for minority women, "Universal Sisters – Inspiration for Your Health & Soul," to inspire and empower attendees with a fun-filled and uplifting event. In addition to these educational objectives, Speaking of Women's Health conferences raise funds to promote women's health and honor individuals who are committed to women's health and well-being.

The Speaking of Women's Health Foundation also awards scholarships and grants to organizations that enhance the quality of life and well-being of women, as well as support women's health research and education through Community Investment Programs.

* The P&G Alliance includes: Actonel, Asacol, Cover Girl, Crest, Metamucil, Olay, Pantene, Secret and ThermaCare.

Additional information about the Speaking of Women's Health Foundation is available at: *http//www.speakingofwomenshealth.com*

Landmark Study In The New England Journal of Medicine Showed Actonel Reduced the Risk of Hip Fracture In Elderly Women With Osteoporosis

This study, published February 1, 2001, showed that the osteoporosis medication risedronate, marketed by P&G as Actonel, significantly reduced the risk of hip fracture in elderly women with osteoporosis. Importantly, risedronate reduced hip fracture risk by up to 60 percent in women with more severe osteoporosis.

Dr. Michael McClung, M.D., Director, Oregon Osteoporosis Center, lead author of the study, said, "For these elderly women with osteoporosis, this study showed that risedronate was a highly effective medication that helped prevent hip fractures."

This landmark study, known as the Hip Intervention Program (HIP), was the first prospective clinical trial to evaluate, as a primary endpoint, a drug's ability to reduce hip fracture risk. Hip fractures can be extremely debilitating. According to the National Institutes of Health, one in five osteoporosis patients dies within a year of a hip fracture. Even those who survive a hip fracture can suffer serious consequences. One-third of patients require placement in a nursing home after suffering a fracture.

The HIP study involved more than 9,300 elderly women from 183 clinical sites worldwide. Patients were enrolled into two groups: (1) women age 70 to 79 who had low bone-mineral density at the hip, which classified them as having confirmed osteoporosis and (2) women age 80 and older having one or more non-skeletal risk factors such as an unsteady gait or difficulty rising from a chair.

In the first group, the incidence of hip fracture was only 2.3 percent among women taking risedronate, compared with 5.7 percent among women taking placebo. The risk of hip fracture was not reduced in the second group of women who did not have confirmed osteoporosis.

Additional information about Actonel is available at: *http//www.actonel.com*

Secret To Self-Esteem Program Enters Third Year

The mission of the Secret to Self-Esteem Program is to help young girls become strong women by building self-esteem. In 1998, P&G's Secret anti-perspirant and The Partnership for Women's Health at Columbia University created the program with the objective of providing teen girls with the practical skills and solutions to build healthy self-esteem.

Secret
Helping Girls Become Strong Women

This year, the program will reach thousands of teen girls. The Secret to Self-Esteem Symposium kicked off this year's program in Austin, Texas. Dr. Ann Kearney-Cooke, a leading authority on adolescent issues, provided information to seventh- and eighth-grade girls and their parents and mentors about the importance of healthy self-esteem in young women and how to achieve it. In addition, break-out sessions were held where female role models shared practical skills and tools girls can employ to develop healthy self-esteem. This year's presenters included the Director of the National Aeronautics and Space Administration's Equal Opportunity Office, Estella Hernandez Gillette; L. A. Sparks center Lisa Leslie, a member of the gold medal-winning 2000 Olympic women's basketball team; diver and 2000 Olympic gold medal winner Laura Wilkinson; Houston Comets basketball forward Tina Thompson; 2000 Olympic gold medal winner in softball Michelle Smith; and 1992 Olympic silver medal track star Sandra Farmer-Patrick.

The Secret to Self-Esteem Program also sponsors a nationwide essay contest and scholarship program designed to recognize girls who exemplify feminine strength. The Grand Prize winner and her essay were featured in the June issues of both Seventeen magazine and Ladies Home Journal.

For additional information about the Secret to Self-Esteem Program, including "10 Tips for Healthy Self-Esteem," access *http://www.secretstrength.com*

Feminine Care School Program Provides Global Health Education

P&G's Feminine Care businesses sponsor health-education school programs in more than 55 countries around the world. Each year, these programs educate and provide product samples to approximately 13 million girls. Developed from global research with input from consultants, qualified professionals present age-appropriate information about growth and development. A variety of material is available to match the needs of the audience, including student worksheets, video presentations, interactive games, posters, student workshops and low-literacy materials, which communicate key messages via illustrations. The program is provided to schools without cost.

For additional information about P&G's program for teenage girls, see: *http://www.beinggirl.com*

P&G Helps Save the Water Vole

In the northeast United Kingdom, P&G sites are sponsoring a three-year program to help save an endangered species, the water vole.

Support in Year One has funded a project manager to assess the presence of water voles around the region. In Years Two and Three, there will be many opportunities for P&G people to get involved in educating land owners and businesses on how to create wildlife corridors to maintain the type of habitat crucial to survival of the water vole.

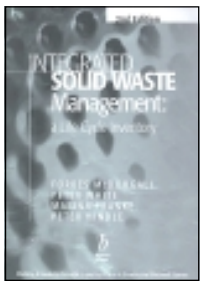
Here is an extract from the survey results by the water vole project manager:

"There are literally hundreds of water courses here in the North of England, and it was not possible to study them all. There is always the possibility that water voles were on the next stream down, just outside the set survey length, or that bad weather had removed signs. The lack of signs places doubt in your mind whether they have colonized the area. Ten to 15 years ago, water voles were a common sight, but they have disappeared.

Guidance cards have been produced regarding current legislation and management regimes for waterside work, as well as identification cards showing the differences between water voles and brown rats. It is hoped machinery operators carrying out waterside management will use these in future. Urban development plans used to show future development in regions will have areas marked where water voles were found to be present. Planning departments will be given these so they can consider developments that will have minimum impact on colonies. Water voles are still under threat, and work still needs to continue.

Colonies are still isolated, and it is essential to link these populations to prevent inbreeding and risk of extinction and increase territorial space."

Integrated Waste Management: A Life-Cycle Inventory



A new edition of the book "Integrated Solid Waste Management: A Life-Cycle Inventory" by Drs. Forbes McDougall, Peter White, Marina Franke and Peter Hindle of P&G was launched in Brussels during the European Commission's Green Week in April. The first edition, referenced in the latest U.K. Waste Strategy, outlined the concept of Integrated Solid Waste Management and proposed the use of Life-Cycle Assessment (LCA) tools to assess the sustainability of municipal solid waste management systems. The new edition provides case studies from India, the United States and Europe of municipalities that have taken an integrated approach to solid waste management. Other case studies from Europe, Latin America and the United States demonstrate where LCA tools have been used to assess integrated solid waste management systems and highlight key learnings from the use of such tools, including the U.K. Environment Agency's WISARD software and the U.S. Environmental Protection Agency's Decision Support Tool. The book also provides a new computer LCA program (IWM-2) for waste managers and decision makers.

> *"This book tackles the complex subject of achieving more sustainable waste management and explains it clearly and in a way that holds the interest throughout. The software that comes with this book is easy to use and is a must for anyone interested in integrated waste management systems. Talking about sustainable waste management is all very well, but unless we put the information and life-cycle thinking in the hands of waste managers with tools like IWM-2, the strategies we develop are in danger of being less sustainable than those they replace. IWM-2 will help to turn the concept of integrated waste management into reality."*
> *— Terry Coleman, U.K. Environment Agency.*

For the book, go to:
http://www.blackwell-science.com/~cgilib/bookpage.bin?File=10013342

Go, Give & Grow

In a groundbreaking development, P&G has joined forces with the World Health Organization (WHO) to offer a limited number of P&G new hires the opportunity of a lifetime – to participate in a pioneering pilot program to take responsibility and give something back to society.

The European P&G new hires have been offered fully funded placements with the WHO as part of P&G's Go, Give & Grow program. These individuals, who have already accepted employment with P&G for September 2002, will be placed on key initiatives, such as the Stop Tuberculosis (TB) program in Africa, Roll Back Malaria in Egypt and Polio Eradication in Ethiopia. The new hires will be working on the programs in a number of areas. This will help them develop expertise in areas such as research, marketing and management.

In an increasingly competitive recruitment environment, the unique opportunities represented by Go, Give & Grow will ensure that P&G continues to attract the best and brightest candidates. This project allows P&G to offer top individuals a unique chance while being consistent with P&G's Statement of Purpose, Values and Principles. Next year, P&G plans to expand the program to more recruits around the world. There have been suggestions that P&G also expand the program to current employees.

For further information, see:
http://www.pgcareers.com/ourculture/ggg.htm

Sharing Leadership Skills With Schools

More than 300 head teachers and senior staff in Surrey, southern England, have taken up P&G's offer of free leadership seminars. The aim is to share and reapply business leadership skills to the education sector.

The seminars define and measure leadership and provide practical coaching. The idea for the seminars originally came from a meeting with P&G and the local Education Business Partnership. The P&G sessions have been greatly appreciated by all who have attended – not just the teachers but also the trainers.

For the future, P&G will continue to offer leadership seminars three or four times a year, and perhaps extend the training to all interested teachers in the region.

Green Fund Campaign in Japan

In collaboration with key customers, P&G Japan donated 0.5 percent of its aggregate sales (up to JPY 20 million, approximately $160,000) to the Green Fund, managed by the National Land Afforestation Promotion Organization, the national implementing body nominated by the Ministry for Agriculture, Forestry and Fisheries.

The Green Fund is committed to the following activities:

- Forest improvement, such as conservation and improvement for private headwater forests, including brush cutting and thinning
- Greening promotion activities, such as voluntary greening initiatives by local communities and youth groups, and public relations efforts
- International greening cooperation activities, such as by NGOs for restoring tropical forests, combating desertification and providing necessary training

Crest Healthy Smiles

China's Crest Healthy Smiles

Since 1995, Crest has sponsored the Ministry of Education-led nationwide Oral Health School Education program. Every year, Crest provides training to teachers and supplies all the educational pamphlets, brochures, videos and other teaching materials free of charge to help promote healthy oral care habits among students in kindergartens, primary schools, middle schools and even universities.

Over the past five years, the program has benefited 30 provinces, more than 70 million students in more than 600 cities and one-third of the rural schools in the country.

Crest Healthy Smiles 2010

Crest Healthy Smiles 2010 is designed to help improve the state of oral health in America by providing education, oral care tools and increased access to dental professionals to underprivileged children and families across the country.

Prompted by U.S. Surgeon General David Satcher's 2000 report addressing disparity in oral health in urban America, Healthy Smiles 2010 combines the passionate vision of Crest with national and local nonprofit partners and leading dental professionals to help provide healthy smiles to children nationwide.

Driven by the principle that oral health is integral to overall health, Healthy Smiles 2010 will empower local communities with programs that will improve the oral health of inner-city children and families.

For further information, visit: http://www.crest.com

Better Start for Australia's Most Vulnerable Children

P&G Australia has formed a partnership with Save the Children Australia, part of the International Save the Children Alliance, the oldest nongovernment child rights organization in the world. The partnership is known as Better Start, and it is designed to address the needs of Australia's most vulnerable children.

Indigenous children, urban poor children and children in rural and remote areas of Australia face serious disadvantages in infant mortality, poverty, housing, health standards and educational attainment.

To date, P&G Australia has raised Aust $240,000 (approximately $127,000) in funds and material support. These proceeds are directed towards a school-age screening program within a disadvantaged aboriginal community in remote Central Australia and a computer training center for disadvantaged children in an inner Sydney area. P&G motivated the media to support the partnership. In addition, P&G employees voluntarily raised funds through a variety of means, such as donations through salary deductions that were matched dollar-for-dollar by the Company.

P&G Spain Elected Honorary Member by UNICEF

The United Nations Children's Fund (UNICEF) has recognized P&G's contributions to the development and welfare of children by nominating P&G Spain as UNICEF Honorary Member.

Princess Margarita awarded P&G General Manager José Luis Navarro the diploma in recognition for P&G's humanitarian efforts for the world's children.

The collaboration with UNICEF started in 1999, when Fairy Liquid Antibac sponsored a vaccination campaign against tuberculosis (TB). The idea was simple but powerful: Fairy Antibac donates to UNICEF one vaccine for each bottle sold.

The July-September 1999 vaccination campaign was enthusiastically supported, not only by consumers but also by retailers, leading to an unprecedented success. More than 3.5 million vaccines were given to UNICEF for its efforts in Senegal. This opened the door for a second campaign in November-December 2000 that has again been an enormous success, beating last year's results. P&G Spain has provided 4.5 million vaccines to UNICEF's programs to eradicate TB in developing countries.

TB is an infectious disease spreading rapidly in many parts of the world. Up to one percent of the world's population is infected with TB each year. The World Health Organization estimates that more than 100,000 children and about three million people die from TB each year. Most of these lives could be saved with one single dose of BCG (Bacillus Camille Guerin) vaccine which costs about ten cents.

P&G Supports Child-Friendly Schools for Filipino Children

P&G Philippines Inc. and UNICEF join hands in creating child-friendly learning conditions for 120,000 Filipino schoolchildren.

A child-friendly school is one that is effective, healthy, inclusive and protective, gender sensitive, community based and family focused. It extends into the children's homes and communities. It tracks and brings all school-aged children in the community to school, as well as ensures they stay and learn in school. It is a school that will enable the child to develop to his or her full potential and be able to develop adaptive and positive skills to face the challenges of life.

Through P&G's assistance, children from 34 pilot schools, their parents and their teachers began to experience the innovations of Child-Friendly School Systems (CFSS).

The experience began with extensive training for the pilot school's 3,100 faculty. Teachers and administrators were introduced to effective teaching and learning processes that encourage active, experimental and participatory learning in classrooms. School health personnel were also trained to initiate the transformation of schools into healthy places for children.

CFSS also brings together schools and communities for the master listing of school-age children in the community, identification of out-of-school children and tracking of potential dropouts. Remedial classes and supplementary feeding are undertaken to reduce dropout rates.

The use of information technology, both in teacher training and student learning, is another innovation with CFSS. P&G provided computer hardware, complemented by joint computer and Internet literacy training for select teachers and students. This proved to be one of the most strategic interventions in improving learning conditions and opportunities for students. Many city schools are challenged by adverse learning conditions, such as cramped, hot and noisy classrooms, limited contract hours and inadequate numbers of teachers. Information technology can be used as an alternative form of classroom instruction.

The Child-Friendly School System is a breakthrough approach to education and promises to give Filipino children a better chance to succeed in the future.

P&G Malaysia / Singapore Gives Back to Community in a Big Way

P&G Malaysia/Singapore initiated a successful community project through the Open Minds program – a fundraising activity for the educational benefit of children with mental and physical disabilities.

Open Minds – Educating All of Our Children is a three-year community development program targeted at the education of children with special needs in Asia. The project was conceived by P&G as part of a worldwide community relations effort to mark the new millennium and P&G's ongoing commitment to society.

Through the Open Minds program, P&G receives strong support from government, retailers and distributors, media, public relations and advertising agencies, as well as internally from employees. The program is supported and endorsed by the Ministries of Education of both Malaysia and Singapore, UNICEF and the Ministry of National Unity & Social Development, Malaysia. Open Minds is also supported by Malaysia's First Lady, Dr. Siti Hasmah Hj. Mohd. Ali, and Singapore's Senior Minister of State for Education, Dr. Aline Wong.

Open Minds is funded through a percentage of P&G sales during a two-month period. In addition, Open Minds also receives contributions from employees and retailers. Since its launch in 1999, Open Minds has contributed a total of $756,000 to the local community and has made lives better for children with disabilities in Malaysia and Singapore. The money raised benefits children with Down syndrome, autistic spectrum disorders and cerebral palsy. The program has helped special children obtain their own school premises, transportation through the purchase of minibuses, and materials such as computers, physical therapy equipment and music therapy equipment. The 2001 effort pledges to raise another $135,000.

P&G Singapore Receives Corporate Gold Award

P&G Singapore was honored last year by the National Council of Social Services and Community Chest for its Open Minds program.

"This is a meaningful recognition for us. The Open Minds program in Malaysia/Singapore is our first social development program executed on a grand scale. Open Minds has energized our employees," says K. Munusamy, Malaysia/ Singapore's country manager.

The Open Minds program in Singapore adopted the Rainbow Center, a special education school for children with mental and physical disabilities, such as Down syndrome, cerebral palsy, and autistic disorders. Since 1999, Open Minds has donated a total of $332,000 to the Rainbow Center. Part of this donation will help the Rainbow Center acquire a new school building for children with special needs.

The Community Chest Awards were created in 1984 by the National Council of Social Services, Singapore, to give public recognition to corporations, community organizations and foundations which have demonstrated great commitment and consistent support for its cause. The Corporate Gold Award recognizes P&G for the $210,000 cash donation to the Rainbow Center in 1999. The money was used to pay for operational expenses of the Center. In addition, these funds were used to purchase two temporary classrooms, which minimizes the wait list, allowing 32 more children access to education.

UNICEF and P&G (continued...)

UNICEF and P&G Tackle Malnutrition

With 40 percent of the world's malnourished children living in India, P&G joined hands with UNICEF to commit a minimum of $111,000 by contributing one rupee from the sale of every large pack of Ariel, Pantene, Head & Shoulders and Whisper. These funds are targeted for use in the following cities:

- **Mumbai –** to educate underprivileged adolescent girls on health problems and to help them with tablets for anemia prevention
- **Jaipur –** for day-care projects focusing on increased food intake and micronutrients for children
- **Chennai –** for a women's parenting network to provide information on prenatal care

Women to Mount Everest

For the second time since 1999, P&G Chile has sponsored an expedition of Chilean women climbers to the Himalayan Mountains through one of its key detergent brands, Ariel. Last time, climbers Vivianne Cuq and Cristina Prieto reached the peak of the Cho Oyo Mountain. This year, P&G Chile supported an expedition called "Women to Mount Everest" to demonstrate that Chilean women can achieve whatever they put their minds to. After fighting adverse climatic conditions, three out of the four women explorers were able to reach the summit, marking an unprecedented achievement in the annals of mountain climbing. Ariel supported this project to help those brave women reach levels of excellence comparable to the excellence behind research incorporated into Chile's detergent brands. The climbers took Ariel detergent to wash their clothes during the expedition.

You can see details of the climb and a video at:
http://www.himalaya.cl/videos/cumbre.mpg

Ariel Supports Children's Education

During last year's observance of Ramadan, P&G Pakistan launched the first phase of a program to reach out to underprivileged children living in remote parts of the country. Ariel directed a portion of its profits towards educating the less privileged. In about one year, the initiative has led to regular schooling for 150 children in 35 cities who had no hopes of ever attending a school. The second phase of the program will be launched in the coming Ramadan and will continue until all 105 districts of the country are covered.

In consultation with Anwar Maqsood, a well-known Pakistani writer, the Ariel team visited various rural and semi-rural areas during the month before Ramadan to identify less privileged children. With the advent of Ramadan, Maqsood and the Ariel team started the campaign by visiting the selected areas. For each packet of Ariel detergent purchased during Ramadan, a portion of the sale was directed to funding a child's education. Once selected, the child is provided with books and a school uniform. In addition, each child's first five years of school fees are paid in advance.

The first beneficiary of the education drive was a boy named Imran from Korangi. He told the Ariel team that if his family had the money, he would be studying to become a pilot. Today, Imran is in a school in Korangi working his way towards his dream.

The Guardians of the Planet

Convinced of the importance of protecting the environment and the great challenge this represents, P&G Mexico has developed an environmental education program, The Guardians of the Planet. This program, implemented jointly with the Mexican Ministry of Education and Ministry of Environment, is focused on the grammar school children of Mexico City. The program has three parts covering the following areas:

- Air Quality
- Water Quality
- Solid Waste Management, including reduce and recycle

Since the program began, the educational program on air quality has been taught in the fifth grade, reaching more than 250,000 children in Mexico City. Through P&G's commitment to the Ministry of Education last year, new water quality education was developed and approved by the Basic Education Directorate, and taught in the third grade for the school year 2000-2001. Both parts of the program, on air quality and water quality, are again part of the current school year curriculum. This includes a Teachers' Guide with information, suggested activities, experiments and games for the classroom.

Dash Goodwill Mission Projects

For the first time in their lives, people in the village of Dalocha, Ethiopia, have access to clean drinking water. The money for the project was raised by Dash Missione Bontà – 1,000 Lire for a Helping Hand.

Dash Missione Bontà

Dash, the leading laundry brand in Italy, has been developing and supporting social initiatives for almost 15 years. All Dash social plans are named Missione Bontà (Goodwill Mission) and are targeted to improve the quality of life of children.

Dash Missione Bontà – Mille Lire Per Un Mattone (Dash Goodwill Mission – 1,000 Lire for a Brick) took place in Kenya. The main problem in the area of Kiongwani (150 km southeast of Nairobi) was the lack of infrastructure to provide children with proper education. The project was supported by Padri Comboniani, a missionary in Kenya, and aimed at building a village with schools and houses. The village included a clinic for basic medical assistance, a church and a supply of water and electric power.

In a few years, the village was entirely built, consisting of about 51 buildings. Today, almost 1,300 students receive education at Kiongwani, and the infrastructure built with this project supplies water to the entire region around Kiongwani.

Dash Missione Bontà – Mille Lire Per Un Aiuto (Dash Goodwill Mission – 1,000 Lire for a Helping Hand) took place in Dalocha, Ethiopia. Dalocha is a very poor and densely populated area 180 km south of Addis Ababa. Only nine percent of the total population has access to drinkable water. Fifteen percent of newborns do not survive after the first year, and 23 percent die by age five. The project was supported by Action Aid, a nonprofit organization specializing in fighting poverty and helping poor children and families improve the quality of their lives. This project focused on providing the population with water and health assistance by building a hospital, 15 clinics, a water reservoir, three water collectors and 16 wells.

Thanks to Dash and Action Aid supporters, the project now offers clean, drinkable water and sanitary assistance to everyone in Dalocha, especially children and pregnant women.

Dash Missione Bontà - Scuola per L'Angola (Dash Goodwill Mission - School for Angola) took place in Angola's Luanda and Benguela regions. The project was supported by UNICEF and aimed at providing children with basic education. After many years of war in these areas, 25 percent of schools have been destroyed, and 58 percent of adults are illiterate. The project provided people and materials for education: school kits for 250,000 children and training for 5,000 new teachers.

Over the past two years, Dash Missione Bontà projects moved their attention towards Italian children, namely with Dash Missione Bontà – Ospedale Amico. A brand new Dash campaign will be launched later this year.