2003 Sustainability Report
Executive Summary
Linking Opportunity with Responsibility

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P&G

CEO Statement

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

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

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

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

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

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

Vision

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

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

Real Rewards

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

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

Big Challenges

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

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

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

George D. Carpenter
Director
Corporate Sustainable Development

P&G Profile

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

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

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

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

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

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

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

Key Brands

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

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

Building for the Future

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

$1 Million Net Sales

Regional U.S. Markets

1837 1840 1850 1860 1870

Key Indicators

Key Sustainability Focus Areas

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

- Water
- Health and Hygiene

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

Major Opportunities and Impacts Associated with Products and Services

Environmental Protection

- Water
- Resource Use
- Waste Reduction

Social Responsibility

- Health
- Hygiene
- Education

Economic Development

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

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

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

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

P&G Brand Advertising (1882)
Profit Sharing (1887)
Incorporated Company (1890)
Beginning of P&G Research & Development (1892)
Shortening & Oils Business (1911)
P&G Code of Regulations (1915)
Canada Market (1915)

1880 1890 1900 1910

P&G's Billion-Dollar Brands

Financial Highlights

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

Philanthropic Contributions

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

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

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

Diversity Data – Global Enrollment

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

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

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

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

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

[2] Administrative, Technical, and Plant Technicians

Occupational Health & Safety Data

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

Total Incident Rate
Injury and illness per 100 employees

	2003	2002	2001
Total	**0.54**	0.67	0.69

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

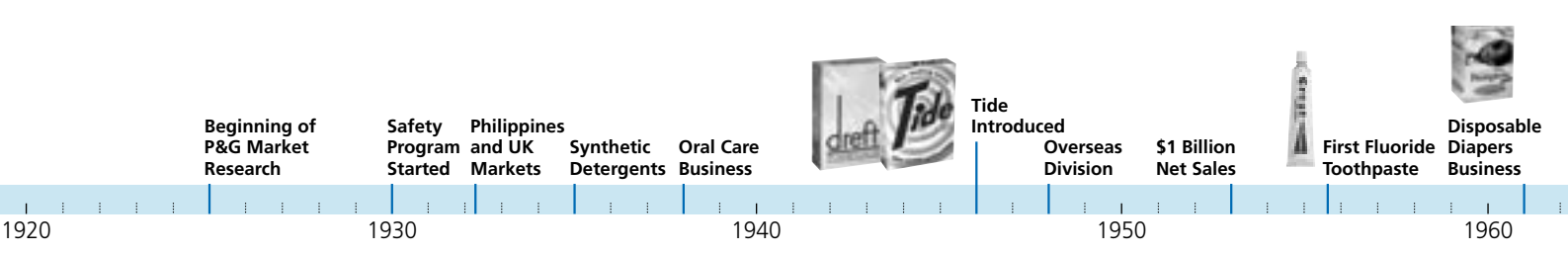
	2003	2002	2001
Total	**0.22**	0.27	0.24

Summary of Violations and Interventions

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

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

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



Sustainability in Action

Photo Credit:
Adilson Moralez

PuR Purifier of Water

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

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

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

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

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

Millstone Rainforest Alliance Coffee for a More Sustainable Future

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

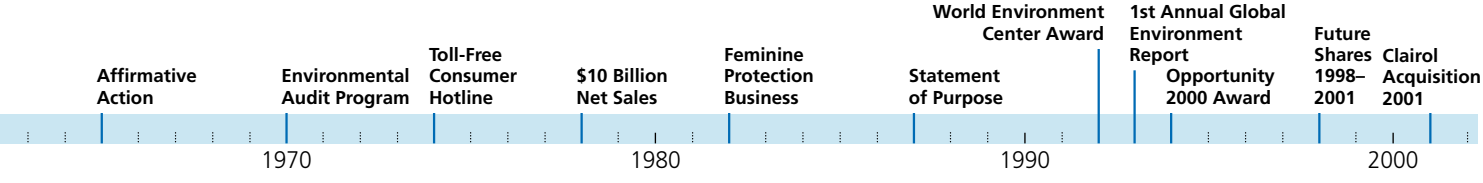
In recent years, farmers have cleared forests to increase coffee production. Chemicals and soil erosion from their farming are destroying wildlife habitats. Now, the Sustainable Agriculture Network, a program of the Rainforest Alliance, provides incentives for farmers to conserve the rainforests. If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

Living It! in Brazil

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

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

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



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

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

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

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

Principles
We Show Respect for All Individuals
The Interests of the Company and the Individual Are Inseparable
We Are Strategically Focused in Our Work
Innovation Is the Cornerstone of Our Success
We Are Externally Focused
We Value Personal Mastery
We Seek to Be the Best
Mutual Interdependency Is a Way of Life

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

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

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

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

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

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

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