P&G

2002 Sustainability Report

Linking Opportunity with Responsibility

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

P&G's 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.

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This report was prepared using the Global Reporting Initiative's (GRI) June 2000 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 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.

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

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

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A. G. Lafley's Statement

There are two important things to know about Procter & Gamble.

First, the consumer is boss. Our business is based on this simple idea. When we deliver to consumers the benefits we've promised, when we provide a delightful and memorable usage experience, when we make everyday life a little bit better, a little easier, a little bit healthier and safer, then we begin to earn the trust on which great brands are built. *Sustaining* that trust requires an even greater commitment because improving lives is not a one-time event nor is it a one-dimensional challenge; we must provide products and services that meet the needs of consumers around the world while *always* fulfilling P&G's responsibilities as a corporate citizen.

Second, P&G is committed to staying in the lead. Our people are leaders. Our brands are leaders. We have a culture that embraces leadership – and that leadership culture drives not only business results, but also the way we think about social responsibility and sustainability. We look for opportunities where others see only responsibility. We think and plan for the long term.

Our respect for consumers and our commitment to leadership are reflected in our financial performance. Through clear strategic choices, operational excellence, and financial discipline, we are returning to the consistent, reliable earnings and cash growth that shareholders expect from our Company. These results are getting P&G back in the lead and are also allowing us to move forward on longer-term initiatives that we believe may help address crucial global problems such as waterborne disease, sanitation, clean water, women's health, dental hygiene, and childhood nutrition.

Historically, P&G has marketed its products to more affluent consumers, predominantly in developed markets. Many of these longer-term efforts are focused on consumers in the developing world – consumers with the same expectations for quality of life but who have far less purchasing power. This presents new challenges. We must often rethink fundamental assumptions about how we create, manufacture, distribute, and market new products. We must find creative new ways to help improve the lives of consumers at many different income levels, in many diverse and different parts of the world. We are doing this. In several developing countries, we are experimenting to find the best ways to make beneficial products, such as NutriStar, available to families no matter how challenging their economic circumstances may be.

Sustainability challenges are not limited to the developing world, of course. We are also focused on using the same kind of thinking to improve lives and build P&G's business in developed markets. One example is our Actonel prescription drug for the treatment and prevention of postmenopausal osteoporosis, which is already a $400 million brand – and growing. Another example is the use of cause-related marketing to build sales of established brands in developed countries, while also generating significant contributions to help address problems such as tuberculosis and children's education in developing countries.

My key point is that we must take seriously our responsibility to help raise and sustain quality of life everywhere P&G does business. We recognize that fulfilling this responsibility is, quite simply, fulfilling the purpose to which generations of P&G people have aspired. It is a responsibility we embrace with the same innovative spirit, operating discipline, and dogged determination to lead that have characterized this Company for 165 years. We will not let up.

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

Vision

P&G continues to embrace Sustainable Development as a business strategy, as well as a corporate responsibility. We believe we can grow our business and deliver ever-greater shareholder and stakeholder value by bringing innovations to the marketplace that address the frustrations and aspirations of consumers at all economic levels. Strategically, this has led us to focus on water, health, and hygiene as the areas that most relate to our brands and core competencies. As we enter our fourth year of pursuing this strategy, we are now moving from theory to reality, from concepts to the marketplace. And our belief is stronger than ever that we can make breakthrough contributions in children's nutrition and development, safe drinking water, and the reduction of waterborne disease.

These are areas of global importance. Around the world, children are suffering from micronutrient deficiencies of iron, vitamin A, and iodine in their diets. The long-term impact is striking. A quarter million children go blind each year. Workforce IQs are often 10 to 15 points lower in areas where these dietary deficiencies are present. Rates of stillbirths and impaired learning and development are exponentially higher than in other parts of the world.

Last fall, P&G entered the Venezuelan market with NutriStar, a fortified drink mix that has been proven through clinical studies to correct micronutrient deficiency. While our market experience is still limited and we have much yet to learn, we are encouraged by consumers' response to the product and by our results to date in validating our sustainable development business model. The coming year will see the launch of other initiatives.

In all our work to date, we have come to appreciate more than ever that addressing issues of water, health, and hygiene is not something we can do alone. Partnerships have been and remain integral to our Sustainable Development efforts.

- We partnered with the U.S. Centers for Disease Control to conduct clinical studies on waterborne disease in Guatemala.
- We joined forces with UNICEF to launch a marketing initiative that is funding tuberculosis vaccinations for 8 million children in several developing countries.
- We worked with the American Academy of Pediatrics to educate parents on the need for childhood immunizations.
- We formed an alliance with TechnoServe, a non-governmental organization, to help make coffee growing profitable for as many people as possible.
- We sponsored dental hygiene awareness campaigns with the ministries of health in Poland and China.

Partnerships like these are becoming an increasingly important way P&G does business. In fact, our Chief Executive, A.G. Lafley, has said he wants P&G to be a magnet for best-in-class partners. Our goal is to become the best company in the world at spotting, developing, and leveraging partnerships in every part of the business. This philosophy is becoming a core competency, and it will make P&G's Sustainable Development efforts – as well as other areas of the Company – even more effective and far-reaching in years ahead.

Our success is being recognized. In 2002, P&G was named the No. 1 consumer non-durables company in the Dow Jones Sustainability Group Index for the third straight year. We earned a Top-5 ranking in *Business Ethics* magazine's 100 Best Corporate Citizens for the third year in a row. We ranked third on *Fortune* magazine's list of most socially responsible companies. This recognition is greatly appreciated affirmation that we are fulfilling our purpose as a Company – making everyday life better for consumers around the world.

We are pleased to share with you our progress.

George D. Carpenter
Director
Corporate Sustainable Development

Executive Summary

Executive Summary

Key Sustainability Focus Areas

At P&G, we proactively seek to bring together innovative ideas and resources to create new products and services that improve the quality of people's daily lives. 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. P&G is particularly well positioned to do this because we are in touch daily with the needs of the world's consumers.

Major Opportunities and Impacts Associated with Products and Services

Environmental Protection

- Water
- Resource Use
- Waste Reduction

Social Responsibility

- Health
- Hygiene
- Education

Economic Development

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

Financial Highlights

Amounts in millions except per-share amounts	**2002**	2001	2000
Net Sales	**$40,238**	$39,244	$39,951
Net Earnings	**4,352**	2,922	3,542
Basic Net Earnings Per Common Share	**3.26**	2.15	2.61

Philanthropic Contributions

P&G and its employees have a longstanding 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 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:

	2002	2001	2000
Total	**$29,587,237**	$27,503,686	$28,292,768

Contributions made by The P&G Fund and Corporate Contributions globally totaled $77,746,930 in the fiscal year ending 2002.

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 is shown in the following table:

Global Enrollment % Female	**2002**	2001
Management	**34.6**	34.5
All Other Employees[1]	**41.6**	38.0

[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:

	2002	2001	2000
% Minorities			
Management	**16.1**	15.8	15.9
All Other Employees[2]	**20.3**	18.1	18.8
% Female			
Management	**34.4**	34.1	33.7
All Other Employees[2]	**38.0**	38.8	39.7

[2] Administrative, Technical, and Plant Technicians

Note: These numbers include the recent Clairol acquisition.

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

	2002	2001	2000
Total	**0.67**	0.69	0.79

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

	2002	2001	2000
Total	**0.27**	0.24	0.35

Summary of Violations and Interventions

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

	2002	2001	2000
Number	**58**	73	48
Fines	**$39,026**	$77,070	$13,400

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

All units are in thousands of metric tons unless otherwise noted.†	Totals			2002 Global Business Unit Detail*				
	2002	2001	2000	**BFFC**	**FHC**	**BC**	**HC**	**FB**
Production								
Product Shipped	**16,151**	15,808	13,936	3,652	8,426	984	1,098	1,992
Raw Materials from Recycled Sources	**208**	208	476	208	0	0	0	0
Waste								
Generated Waste	**798**	910	879	504	121	59	33	81
Percent Recycled / Reused Waste	**54%**	51%	55%	55%	57%	46%	51%	50%
Disposed Waste								
Solid Waste								
Non-Hazardous	**304**	376	317	196	37	23	14	33
Hazardous	**19**	13	12	8.7	4.7	3.8	0.7	0.8
Effluents (Excluding Water)	**23**	36	39	7.9	6.5	3.8	0.8	4.2
Air Emissions**	**20**	15	19	13.3	3.4	0.6	0.4	2.1
Other								
Energy Consumption (10^5 GJ)	**989**	1,068	1,080	614	195	44	41	94
Greenhouse Gas Emissions**	**3,309**	3,210	2,983	2,365	419	88	95	342
Water Consumption (million cubic meters)	**85**	88	87	56	13	4	2	10
SARA Releases (metric tons)***	**1,274**	1,722	1,858	34	831	346	0	63

† 1 metric ton = 1,000 kg = 2,205 lbs.
* BFFC = Baby, Feminine, & Family Care; FHC = Fabric & Home Care; BC = Beauty Care; HC = Health Care; FB = Food & Beverage
** 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 by the U.S. Environmental Protection Agency.

P&G Profile

P&G Profile

P&G is celebrating 165 years of providing trusted, high-quality brands that make every day better for the world's consumers. The Company markets nearly 300 brands – 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 102,000 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 July 26, 2002, there were 1,004,000 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 fourth Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 2001, through June 30, 2002. Financial information is given in U.S. dollars.

on the Web

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

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

Key Brands

Global Business Unit	Key Brands
Baby, Feminine, & Family Care	
Baby Care	Pampers, Luvs, Dodot, Prima
Family Care	Charmin, Bounty, Puffs, Tempo, Codi
Feminine Care	Always, Whisper, Tampax, Lines Feminine Care, Linidor, Evax, Ausonia, Orkid
Fabric & Home Care	Tide, Ariel, Downy, Lenor, Gain, Cascade, Ace Laundry, Cheer, Bold, Swiffer, Bounce, Dash, Dawn, Fairy Dish, Joy, Febreze, Ace Bleach, Era, Bonux, Dreft, Daz, Vizir, Salvo, Mr. Proper, Mr. Clean, Flash, Fairy Laundry, Viakal, Dryel, Alomatik, Ivory Dish, Maestro Limpio, Rindex
Beauty Care	Pantene, Olay, Head & Shoulders, Cover Girl, Clairol Herbal Essences, Max Factor Cosmetics, Hugo Boss, Secret, SK-II Skin Care, Zest, Safeguard, Rejoice, Vidal Sassoon, Clairol Nice 'n Easy, Old Spice Deodorant, Pert, Ivory Personal Care, Sure, Camay, Laura Biagiotti, SK-II Cosmetics, Old Spice Fragrance, Physique, Noxzema, Giorgio, Muse
Health Care	Iams, Eukanuba, Crest, Asacol, Actonel, Vicks NyQuil, Metamucil, Vicks VapoRub, Fixodent, Scope, Pepto-Bismol, Didronel, Vicks/Wick, Macrobid, PUR, Vicks DayQuil, ThermaCare, Vicks 44, Kukident, Cacit, Vicks Sinex, Dantrium
Food & Beverage	Folgers, Pringles, Sunny Delight, Millstone, Punica, Torengos

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

Financial Information

The Company reported net earnings of $4.35 billion for the fiscal year ended June 30, 2002. Results included a charge of $706 million, after tax, related to its restructuring program.

Core diluted net earnings per share, which excludes the impact of restructuring charges and the prior years' amortization of good will and indefinite-lived intangibles, increased 10 percent to $3.59 in 2002. In the current year, every business unit delivered net earnings growth above the corporate objective.

Core net sales were $40.17 billion, up 2 percent from last year. Excluding an unfavorable exchange rate impact of 2 percent in the current year, core net sales increased 4 percent.

Common share dividends were $1.52 per share in 2002. For the coming year, dividends will increase to $1.64 per common share, marking the 47th consecutive year of increased share dividend payments.

Financial Highlights

Amounts in millions except per-share amounts	**2002**	2001	2000
Net Sales	**$40,238**	$39,244	$39,951
Marketing, Research, & Administrative Expenses	**12,571**	12,406	12,483
Income Taxes	**2,031**	1,694	1,994
Net Earnings	**4,352**	2,922	3,542
Basic Net Earnings Per Common Share	**3.26**	2.15	2.61
Total Assets	**40,776**	34,387	34,366
Long-Term Debt	**11,201**	9,792	9,012
Shareholders' Equity	**13,706**	12,010	12,287

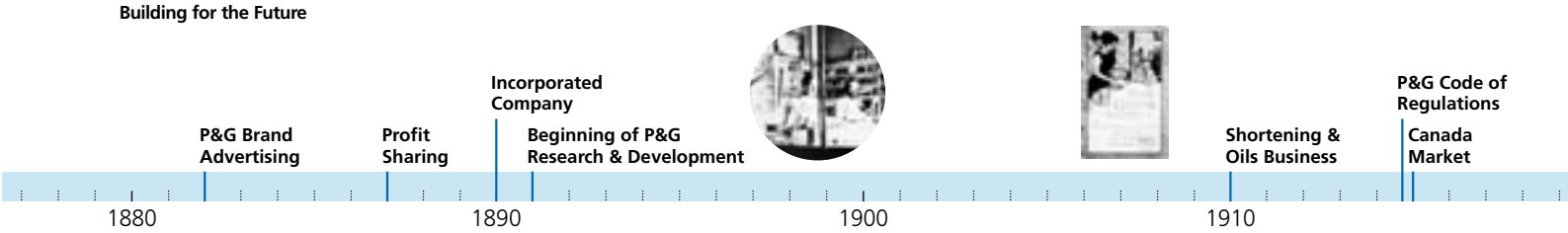
As part of P&G's initiative to optimize resources to fit a growing global business and to accelerate innovation and growth, the Company operates its business through Global Business Units (GBUs).

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

Net Sales by Global Business Units

Amount in millions	**2002**	2001	2000
Baby, Feminine, & Family Care	**$11,877**	$11,991	$12,044
Fabric & Home Care	**11,618**	11,660	12,157
Beauty Care	**8,079**	7,257	7,389
Health Care	**4,979**	4,353	3,909
Food & Beverage	**3,801**	4,139	4,634
Corporate	**(116)**	(156)	(182)
Total	**40,238**	39,244	39,951

Building for the Future



P&G's Billion-Dollar Brands

Pampers
Over 30 million babies experience the comfort and dryness of Pampers every day.

Ariel
More than 300 million pieces of clothing are washed with Ariel every day.

Pantene
Nearly 1.7 million consumers purchase a Pantene hair care product every day.

Tide
Tide cleans more than 32 million loads of laundry every day.

Always / Whisper
On an average day, more than 25 million women use Always or Whisper feminine protection.

Charmin
Every day, 50 million households in North America squeeze the soft Charmin toilet tissue.

Bounty
Every day, 50 million North American households use Bounty paper towels as the Quicker Picker-Upper.

Crest
A Crest oral care product brings a beautiful, healthy smile to over 150 million faces every day.

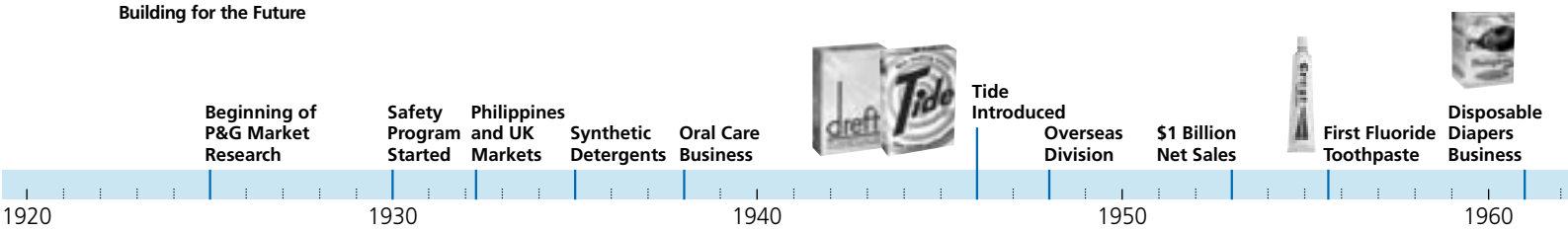
Pringles
People pop 275 million Pringles potato chips every day.

Iams
Iams and Eukanuba provide 27 million dogs and cats with superior nutrition every day.

Folgers
Americans drink 85 million cups of Folgers coffee every day.

Downy / Lenor
They soften and freshen more than 21 million loads of laundry every day.

Building for the Future



Major Acquisitions

Acquisitions accounted for as purchases in 2001-2002 totaled $5.47 billion, primarily driven by the Clairol acquisition. They include:

P&G's Acquisition of Clairol

In November 2001, P&G acquired **Clairol** and began to integrate Clairol's $1.6 billion hair care, hair color, and personal care business into the P&G Beauty Care business.

This acquisition brings P&G into the fast-growing business of hair colorants and positions P&G for accelerated growth across its entire hair care category. With the acquisition of Clairol, P&G has a presence in all major segments of the beauty market.

Consumers are the big winners in this deal. Clairol hair colorant and hair care brands are known in the United States and in key markets around the world. Now consumers can look forward to even more innovative and broadly available products in the future.

P&G values the tremendous knowledge and experience of the Clairol organization. P&G will not only build on the strong plans and commitments Clairol already has in place but also will move quickly to identify the next major opportunity for Clairol, based on the synergies of Clairol's popular brands and P&G's outstanding capabilities in innovation and global distribution and marketing.

Acquisition of Japan's Leading Automatic Dishwashing Brand from SC Johnson

P&G acquired **Hi-Wash**, Japan's leading automatic dishwashing brand, in April 2002.

Hi-Wash has been the automatic dishwashing product market leader in Japan since its introduction in 1986.

With the introduction of compact, countertop dishwashing machines, the market for home-use automatic detergent products has been growing. P&G expects this trend to accelerate in the near future behind further lifestyle changes, new dishwashing machine design, and improved dishwashing products.

By acquiring the market-leading automatic dishwashing brand in the early stages of category development, P&G has a great opportunity to leverage its leading global technology position, commercial know-how, and strong go-to-market capability to create a profitable brand within its Japanese portfolio.

P&G Acquires Fab and Bingo

P&G acquired Colgate's Central American heavy-duty and super-concentrated laundry detergents business in January 2002. The acquisition adds the brands **Fab** and **Bingo** to the line of products P&G sells in Panama, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

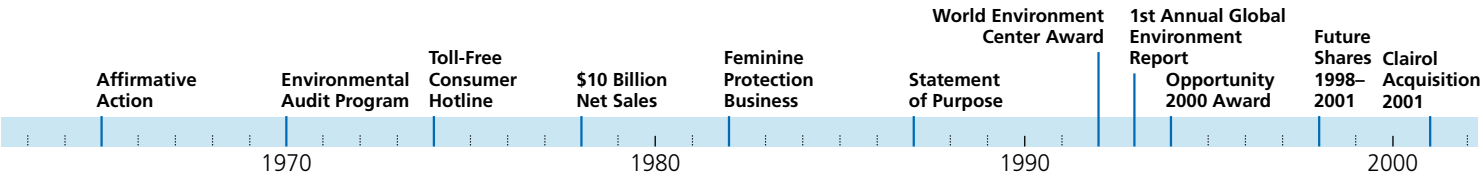
This initiative is part of strategic plans to improve the business through a differentiated portfolio of brands that provide superior value and meet a variety of consumer needs.

Major Divestitures

Divestitures accounted for as sales in 2001-2002 totaled $570 million. They include:

- Jif
- Crisco
- Comet

Building for the Future



External Recognitions

Following is a list of some of the key awards and recognitions received by the Company during the past year:

Corporate Awards

- American Advertising Federation – Corporate Achievement for Integrating Multicultural Marketing and Diversity Programs into Marketing Strategies
- *Business Ethics* magazine – 5th Best Corporate Citizen
- *Capital* magazine – P&G Turkey, Most Admired Company
- Chilean Association of Supermarkets (ASACH) – P&G Chile Best Supplier of 2000/2001
- *Consumidor Moderno* magazine – Best Customer Relations Service in Brazil
- Dow Jones – Market Sector Leader
- EthicScan – P&G Canada No. 1 in Corporate Social Responsibility
- *Fortune* magazine – No. 1 Most Admired U.S. Company in Soaps & Cosmetics
- *Fortune* magazine – No. 3 Most Admired Company in Social Responsibility
- Humane Society of the United States – Humane Award for Making the World a Better Place for Animals
- *InfoWorld 100* – Recognizing Innovation in IT Architecture in the Supply Chain
- Prime Minister's Award for Excellence in Community Business Partnerships – P&G Australia
- Society for the Advancement of Socio-Economics – Ranks P&G Peru Among Top 10 Companies in Corporate Social Responsibility and No. 1 in Hiring and Training Practices
- *Teletalk* magazine – P&G Germany – 1st Place in Customer Care
- The Mexican Wholesaler Association, The Mexican Association of Electronic Commerce, The University of Monterrey, Gigante – All rate P&G Mexico Best Business Partner and Supplier of the Year
- *Wall Street Journal*/Harris Interactive – Ranks P&G No. 10 on Reputation out of 45 U.S. Companies Considered
- *GDO Week* magazine – Recognizes P&G Italy's Dash Missione Bontà (Goodwill Mission) Campaign with Trade Ethic Award for Sustainability
- Czech Top 100 – P&G rated 4th Most Admired Company in the Chemical, Pharmaceutical, and Rubber Industry and Among Top 100 Most Admired Companies in the Czech Republic

Brand Awards

- *Capital* magazine – P&G France Receives Star Brand Recognition for Pampers
- The Chilean Marketing & Advertising Effectiveness Prize – to P&G Chile for Pantene and Ace
- Cosmetic Executive Women – Year's Best Buy Award for Crest Whitestrips, Cover Girl Outlast, and Olay Total Effects Cuticle and Nail Moisture Treatment
- *Lebensmittel Praxis* (German Trade Journal) – Best New Products and their rankings in their categories – Ariel Hydractiv Color (No. 1), Antikal Spray (No. 2), Alldays Tanga Pantiliners (No. 2), Blend-a-Med Complete Plus (No. 2), Pampers Sensitive Baby Wipes (No. 2), Blendi Gel (No. 2)
- New York American Marketing Association EFFIE Award – to Tampax, Tide, Cascade, NyQuil, Gain for Hispanic advertising campaigns
- *Retail* magazine – P&G Poland Product of the Year for Vizir
- Stiftung Warentest – Head & Shoulders Best Dandruff Shampoo in Germany
- EFFIE Award – P&G Poland Receives Silver Award for Blend-a-Med and Bronze Award for Vizir
- European EFFIE Award – for Alldays
- Arthur Andersen – Il Sole 24 ORE Customer Satisfaction Award – Presented to Iams in Italy
- *Prima Baby* magazine (UK) – Recognizes Pampers New Baby as a "Best Buy"
- *Business Week* magazine – Names Pampers as One of Top 100 Brands in the World
- *Absatzwirtschaft* (professional marketing journal) and the German Marketing Association – Pringles Wins Brand Award 2001 in Germany
- *Reader's Digest* Hungary – Rates Ariel and Pantene Pro-V Most Trusted Brands
- Kazakhstan's "Choice of the Year" – P&G Receives Top Honor with a Total of Five Awards (Pantene, Pampers, Ariel, Blend-a-Med, No. 1 Producer of Hygiene Products)

Employee Awards

- *Business Today* and Hewitt – P&G India Voted One of India's Best Employers
- *Fortune* magazine – Top 20 Companies for Minorities
- *Hispanic* magazine – Top 100 Corporations to Work For and Corporate Elite
- Korean Management Association – Best HR Practices Award for P&G Korea
- Korn/Ferry International – P&G Peru No. 1 With Best Hiring and Training Practices
- *Minority MBA* magazine – One of the Best Employers for Minority MBAs
- *Money* magazine – 4th for Employee Benefits
- National Minority Business Council – Outstanding Corporate Support Award
- Ohio 2001 Minority Business Development Award
- Wissenschaftszentrum – Total E-Quality Distinction for Excellent Equal Opportunity Personnel Policies at P&G Germany
- *Working Mother* magazine – P&G in Top 100 for Best Companies for Working Mothers

Environmental Awards

- BiE Index of Corporate Environmental Engagement – Sector Leader in Environmental Sustainability
- Financial Times – Rates P&G No. 12 Globally for Best Environmental Practices
- Wisconsin Business Friend of the Environment Award to P&G's Green Bay Plant

on the Web

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

Highlighted Awards

Dow Jones Rates P&G Market Sector Leader for Third Year

For the third consecutive year, P&G was rated a market sector leader for sustainability in the household products, non-durable sector of the Dow Jones Sustainability Index (DJSI). This recognition, by an independent body, is an acknowledgment of the efforts and strategies P&G has implemented to drive sustainability within its business. It also recognizes the well-established management principles and systems that P&G uses to develop, produce, and market products. P&G has long been a leader in employee benefits, workplace safety, environmental management of our operations, environmental and human safety of our products, ethical business practices, and involvement in our communities.

The DJSI is a product of Dow Jones and the SAM Sustainability Group of Switzerland. The SAM rating system evaluates the sustainability performance of the 2,000 largest companies in the Dow Jones Group Index. Each company is rated on an extensive set of economic, environmental, and social development criteria, and the top 10 percent are included in the DJSI. As part of each year's launch, the top company in each market sector is highlighted, and P&G is one of only three companies to receive this recognition for three straight years.

on the Web

P&G's DJSI profile can be found at:
http://www.sustainability-index.com/djsi_world/pdf/CB/CB_Procter_Gamble_E.pdf

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P&G's Integrated Waste Management Book Wins Green Apple Award

The second edition of P&G's book "Integrated Solid Waste Management: A Life Cycle Inventory" won a Green Apple Award for Environmental Best Practice 2001. The Green Apple Award is given by the UK Institute of Waste Management. P&G's book was a National Gold Winner for education and innovation in the Commerce and Industry category.

The book describes the concept of Integrated Waste Management and provides a Life Cycle Inventory computer model that looks at the entire waste management system and predicts its likely environmental burdens. The aim of the book is to help readers develop more sustainable solid waste management systems.

P&G Uzbekistan – No. 1 Producer of Hygiene Products

On December 14, 2001, P&G received the highest award in Uzbekistan's First National "Choice of the Year" competition. Ariel, Pantene, and Blend-a-Med were all rated No. 1 in their categories. The "Choice of the Year" competition is based on results from a national public opinion poll.

P&G began operations in Uzbekistan in 1995. Uzbek consumers recognize the high quality of P&G's products and the Company's contribution to the development of culture, health care, and hygiene education in Uzbekistan.

6th BiE Index of Corporate Environmental Engagement

BiE's Index of Corporate Environmental Engagement is widely regarded as the leading benchmark of FTSE-listed companies' environmental management and performance. This year P&G achieved first place in its sector, Personal Care and Household Products, and 13th place overall.

Listed are some of the comments from BiE:

- "Environmental management scores remain exceptionally high, with the company scoring full marks on all questions. Congratulations."
- "Performance measurement is impressive in all impact areas. BiE applauds P&G for being able to demonstrate performance improvement across both the core and selected impacts. The high scores are clearly an indication of the company's commitment to continual improvement."

on the Web

For more information,
visit www.business-in-environment.org.uk

EthicScan Canada Ltd.

P&G Canada Ranks Highest in Corporate Social Responsibility

Based on data gathered from EthicScan Canada, P&G scored higher than a number of its major competitors in the personal care products industry. EthicScan is Canada's oldest full-service ethics consultancy and corporate social responsibility research house. P&G Canada ranked No. 1 in seven categories, including:

- Equity and Family
- Community Responsibilities
- Management Practices & Consumer Relations
- Environmental Performance (tied with Gillette Canada Inc.)
- Employee Relations
- Progressive Staff Policy
- Candor

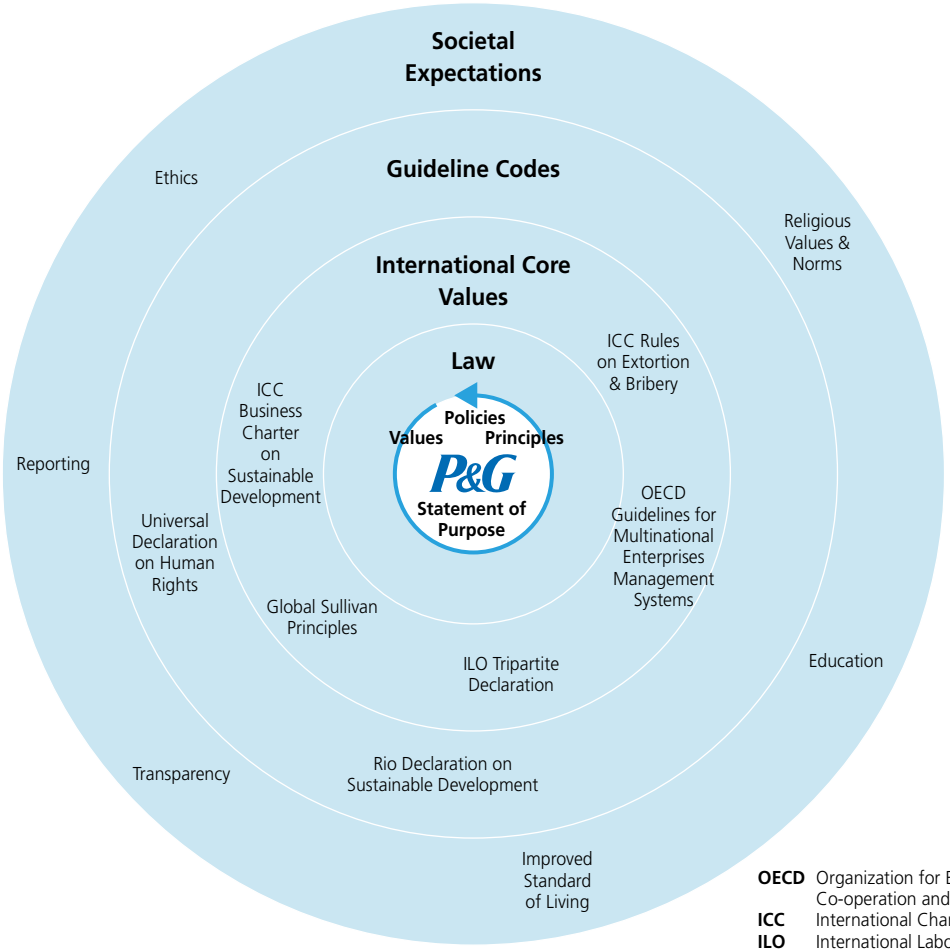
P&G Peru Ranks in Top 10 in Corporate Social Responsibility

The Society for the Advancement of Socio-Economics, a prestigious NGO focused on the promotion of corporate social responsibility and funded by the Kellogg Foundation, ranked P&G Peru among the top 10 companies with social responsibility policies and practices.

The 2001 study, covering more than 150 companies, consisted of interviews with top company managers and an assessment of their policies and practices toward the community, the environment, and employees.

Policies, Organization, & Management Systems

Policies, Organization, & Management Systems



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

Sustainable development is about improving quality of life for everyone, now and for generations to come. P&G contributes to this directly by providing products and services that improve the lives of consumers, 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.

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.

Leadership

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

Ownership

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

Integrity

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

Passion for Winning

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

Trust

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

John E. Pepper – Community Leader

John Pepper, Chairman of the Board of Directors, retired from P&G on July 1, 2002. He will continue to serve as Chairman of the Executive Committee of the Board until July 1, 2003. Throughout his 39-year career, Mr. Pepper exemplified P&G's values, particularly the belief that the interests of the Company, its employees, and the communities in which P&G operates are inseparable. "The value we build for shareholders," he once wrote, "doesn't end with a solid balance sheet. It's amplified by our ability to be a responsible corporate citizen wherever we operate around the world."

That belief has guided his leadership, as well as his personal actions. And he has been an example for many. In 1987, he helped launch the Cincinnati Youth Collaborative, pulling together people throughout the Cincinnati community to work on behalf of the city's youth. He co-chaired the fund-raising campaign for the new National Underground Railroad Freedom Center being built in Cincinnati. He serves on the boards of the Partnership for a Drug-Free America and The National Campaign to Prevent Teen Pregnancy. He participates on the advisory council of The Character Education Partnership, a group dedicated to developing moral character and social caring in America's youth. He helped launch Project Hope, a program building schools in rural China, and has led community-building efforts in many other parts of the world, from Russia to Turkey to Egypt. More recently, Mr. Pepper helped launch the Global Alliance for Improved Nutrition (GAIN), a creative new partnership to increase access to nutrient-fortified foods. This initiative will help the children of the world become healthier and live productive lives.

Mr. Pepper has long believed in being of service to others. That belief is a defining characteristic of his personality and a hallmark of his leadership. He will continue to be a strong, positive influence on P&G and its commitment to make every day better for people throughout the world.

John Pepper addresses the gathering at the United Nation's Public-Private Partnership Dialogue.

Credit: Susan Markisz, UNICEF

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 elected three new members: **Johnathan A. Rodgers, Bruce L. Byrnes,** and **R. Kerry Clark**.

After a successful 20-year career at CBS Inc., Mr. Johnathan Rodgers was named president of Discovery Networks, U.S., in 1996. He joined the P&G Board in July 2001. "Johnathan is recognized as a leader and innovator in the mass communications business. He has led The Discovery Channel to new levels of success. In today's rapidly changing media and communications environment, Johnathan's 35 years of media experience will bring an important additional perspective to our board," said John Pepper, Chairman of the Board's Executive Committee.

In April 2002, Mr. Bruce Byrnes was elected Vice Chairman of the Board and a Director of the Company in addition to his current responsibilities as President – Global Beauty Care and Global Health Care.

Mr. Byrnes joined P&G in 1970. He has held a variety of marketing and management positions. In 1999, he became President – Global Health Care and Corporate New Ventures, and in 2000 added Global Beauty Care to his responsibilities

In April 2002, Mr. R. Kerry Clark was elected Vice Chairman of the Board and a Director of the Company in addition to his current responsibilities as President – Global Market Development and Business Operations.

Mr. Clark joined P&G Canada in 1974. In 1999, Mr. Clark became President – Asia, with responsibility for P&G's businesses in Northeast Asia, Greater China, and ASEAN. In 2000, he returned to the United States as President – Global Market Development and Business Operations.

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.

more info

For more information, please click for full details.

on the Web

Downloadable PDF Files

Our Values and Code of Conduct
http://pg.com/about_pg/corporate/sustainability/substain_catmain.jhtml

Guidelines for Vendor Selection
http://pg.com/about_pg/corporate/sustainability/substain_catmain.jhtml

Competitive Intelligence Incident

In summer 2001, P&G management became aware that the Company had gained access to some confidential Unilever hair care business information. As soon as this became known, P&G voluntarily brought the information to the attention of Unilever, quarantined the information, and returned the materials. P&G also assured Unilever that none of the information was used in P&G business plans. After a thorough investigation, P&G found that the individuals involved with the information-gathering activity had violated Company policies, and they were separated from the Company.

In early September, P&G and Unilever reached an agreement to settle all issues related to the disclosure of this business information. As an internal follow-up to this incident, P&G redeployed its Purpose, Values, and Principles to every employee in the Company.

P&G and TechnoServe Aid Coffee Growers

In recent years, coffee growers in developing nations have experienced a steady decline in their incomes because of declining coffee prices. To address this crisis, P&G has formed a long-term alliance with TechnoServe, a non-profit organization, to help small-scale coffee growers in Latin America.

P&G's $1.5 million donation to TechnoServe will be used to help create long-term solutions to make coffee growing profitable for as many people as possible. This will be accomplished by improving the quality of coffee, exploring alternatives to coffee production, and other initiatives.

A. G. Lafley, Chairman of the Board, President, and Chief Executive of P&G, comments, "Our alliance with TechnoServe is consistent with our overall commitment to sustainability and corporate social responsibility."

on the Web

For more information, please visit www.technoserve.org

José Adan Lopez (left) and other members of a TechnoServe-assisted coffee cooperative in Nicaragua processing their coffee beans.

The Global Sullivan Principles

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

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

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

on the Web

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

Executive Compensation

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

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

Diversity Policy

P&G has a strong legacy of ownership, commitment, and accountability for diversity because we recognize its direct link to the Company's bottom line and that it leverages the full power of all our employees. We believe diversity creates competitive advantage through the relentless pursuit of respecting, valuing, and trusting differences. Diversity is a fundamental component of P&G's culture and integral to our "How to Win" business strategy for success.

A. G. Lafley, Chairman of the Board, President, and Chief Executive, holds himself accountable for leading diversity and monitoring progress in every part of our Company. He works with the leaders of each business to ensure that they set stretching diversity goals and meet or exceed them consistently. Areas of focus include active leadership, results accountability, building an inclusive culture, and marketing to diverse consumers.

Diversity at P&G focuses on leveraging the uniqueness each of us brings from around the world to fulfill P&G's Purpose, Values, and Principles. Our differences are physical, such as race, gender, and age. They also include less visible differences such as diversity of thought, nationality, cultural heritage, language, religion, sexual orientation, disability, leadership style, functional expertise, position in the organization, and others. We work together to create advantage through our diversity, bound by our common value of respect for the individual and our common goal of improving the lives of our consumers around the world.

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

Diversity starts with attracting and retaining the best talent around the globe. We work to accomplish diversity through long-term relationships with educational institutions that have solid populations of diverse students. To supplement these base recruiting efforts, we utilize intern programs, participate in recruiting conferences, and increase outreach to high school students. We execute special programs such as INROADS, P&G General Manager Camp, and Winter Finance camps to introduce students to P&G. This year we created additional teams to help focus on our Hispanic, African-American, Military Service Academy, and People with Disabilities recruiting efforts. To broaden our candidate base worldwide, we have launched Recruitsoft, our first fully global Web-based online candidate management system.

Critical foundation systems focused on assuring employee retention include effective first-year orientation/join-up programs, mentors for all employees, high-quality work/career plans, and diversity training.

Employee support groups and network teams exist throughout the organization and contribute strongly to our diversity efforts. Groups include Hispanic, African American, Asian/Pacific American, Gay, Bisexual, & Lesbian, and People with Disabilities. These leadership groups serve as advisory teams to top leadership and as support to group members.

Externally, P&G provides continuing leadership in the advertising industry by partnering with our agencies to refer applicants to each other and help minorities gain entry into commercial production companies. P&G is committed to helping minority- and women-owned businesses and suppliers prosper. P&G has one of the oldest Supplier Diversity programs in the United States, spending more than $939 million with minority- and women-owned suppliers. This year we will increase our spending on advertising in minority media and use of minorities in advertising. The P&G Fund, the Company's philanthropic arm, provides more than $15 million for educational programs, institutions, and materials each year, with $7 million in 2001 to non-profit organizations that primarily benefit women and minorities. Many employees are personally involved in volunteer and public service efforts that have widespread impact on their communities.

P&G's solid progress in diversity has been recognized in many national surveys: Working Mother magazine (top 10), Money magazine for Employee Benefits (ranked 4th), Fortune magazine (ranked 38th), Careers & the Disabled (top 20), and LATINA Style magazine (top 50). P&G India was voted one of the best employers by Business Today. P&G Taiwan was voted "Most Admired Company" for the fourth consecutive year, and P&G Korea was recognized as the "Best Foreign Company in HR Practices."

P&G's ultimate goal is to be the "employer of choice," where diversity is leveraged as a competitive advantage.

Advertising Policy and Sustainable Development

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

We believe advertising contributes to sustainable development through a variety of general and specific ways in the marketplace. To achieve sustainability through the market, we need effective competition to drive innovation and increased efficiency. Competition thrives on advertising, and advertising thrives on competition. Competition promotes innovation, which leads to better products and services, and more variety and choice for consumers.

There are also many specific business-building opportunities in which advertising can contribute to sustainable development by improving lives around the world:

- Promoting new products and services that can significantly improve quality of life, such as P&G's NutriStar drink, which helps fight micronutrient deficiency in Venezuela. In developing countries, advertising often also involves health education and awareness raising, such as addressed by P&G's Healthy Smiles dental health campaign in China.
- Providing social or environmental messages as part of public service or corporate campaigns. P&G's Open Minds campaign in India, for example, raised public awareness of the plight of India's working street children while collecting money to fund their education.
- Promoting innovative products that have environmental or social benefits.
- Promoting more sustainable use of existing products to maximize environmental or social benefits. For example, the WashRight campaign, run by P&G and other members of the European Detergents Association in Europe, promotes correct usage of laundry products and efficient use of water and energy.
- Communicating the sustainability attributes and performance of companies and other organizations as the public increasingly wants to know more about the companies behind products and services.

Despite contributions to sustainable development, advertising's role and effects have been questioned. Advertising has been blamed for spreading Western lifestyles around the world and for promoting excessive consumption in developed countries.

Spreading awareness of how other people live is one of the inevitable consequences of the global media revolution. We do not accept that people in developing countries should be denied a better quality of life. The first priority of sustainable consumption must be to provide access to adequate consumption opportunities for everyone. Nearly half the world's population lives on less than $2 per day; they need access to adequate products and services that can improve their daily lives.

In developed countries, the idea that advertising fuels over-consumption is also misplaced as advertising cannot make people buy things they do not want or need. Advertising can inform and influence and help consumers make more informed decisions, but it is consumers who choose how best to improve the quality of their own lives. Advertisers alone are unable to regulate the overall demand for goods and services.

However, there are clear responsibilities, as well as opportunities, for advertisers such as P&G. There is a responsibility to ensure truth in advertising and to ensure that messages are legal, decent, and honest. We also assume our responsibility to ensure the sensitive portrayal of all groups in society, including women, children, the elderly, and minorities. For this reason, P&G actively supports truth-in-advertising mechanisms and conforms to relevant national codes and guidelines wherever we operate.

The contribution of advertising to sustainable development is discussed in more detail in the report "Industry as a Partner for Sustainable Development – Advertising," which has been written by the advertising industry in collaboration with UNEP – the United Nations Environment Program. P&G helped the World Federation of Advertisers (WFA) and the European Association of Communication Agencies (EACA) write this report, which was presented at the World Summit on Sustainable Development in Johannesburg, South Africa, in August 2002. P&G is an active member of WFA and is on the Advisory Committee of UNEP's Advertising and Communication Forum on Sustainability.

on the Web

For more information about sustainability through the market, visit:
http://www.wbcsd.org/newscenter/reports/2001/stm.pdf

To read "Industry as a Partner for Sustainable Development – Advertising," please visit:
http://www.uneptie.org/outreach/wssd/sectors/advertising/advertising.htm

Data Privacy Policy

P&G's privacy objective is to create an environment of trust that allows people to share information, with confidence, that helps us better understand and meet consumer needs. We believe in protecting the privacy of all personal information entrusted to us by individuals. Everyone who provides information to us is informed of our policies. P&G respects all applicable national and international children's privacy regulations. Applicable local laws and regulations regarding data privacy are followed. All outside companies handling data on our behalf are required to abide by our privacy practices.

on the Web

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

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

For more information about P&G's global privacy policy, visit: http://www.pg.com/privacyprinciples.jhtml

Privacy Training

Protecting the privacy of all individuals is a priority at P&G. In February 2002, P&G implemented an innovative, computer-based privacy training course to ensure all employees know their responsibility regarding managing personal information held by the Company. Our overall objective in doing this is to create an environment of knowledge, confidence, and trust. This encourages people to share personal information with P&G, which enables us to better understand their needs and to meet them with superior information, services, and products.

P&G will continue this awareness training for new employees and will present refresher training to all employees, as needed, to maintain P&G's leadership position in the area of privacy.

Animal Welfare

Safety is an essential ingredient of all P&G products as P&G's first priority is the safety of our consumers. All P&G products on the market have been evaluated through a comprehensive risk assessment.

P&G also cares about the welfare of animals. We have been able to reduce, refine, or replace animal testing because of our increased use of historical data, the increased sophistication of computer models, and the development of alternative research methods. Except where required by law, P&G no longer uses animals in evaluating the safety of our non-food, non-drug consumer products. We are committed to the ultimate elimination of laboratory testing using animals.

The majority of the limited testing we carry out today is for drug and health care products. We are working to help gain the acceptance of alternatives by governments around the world and to eliminate the need for unnecessary regulatory testing.

on the Web

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

De Wildt Project – Protecting Endangered Species
Iams South Africa is a sponsor of the De Wildt Project, the largest breeding and husbandry center in the world for the cheetah and African wild dog. Both are on the Endangered Carnivore Species list. Iams South Africa has sponsored the feeding of wild dogs and cheetah since 1994.

De Wildt currently supplies 35 accredited centers and zoos internationally. It is funded solely through tourism and corporate sponsorships.

on the Web

For more information see
www.dewildt.org.za

Kathy Stitzel, D.V.M. – Champion for Alternative Animal Testing
P&G retiree Dr. Kathy Stitzel has made great strides in alternative animal testing throughout the world. She has worked with governments, scientists, and advocacy groups to move closer to the elimination of animal testing while still maintaining the highest scientific standards for product safety.

In 1999, she became the first corporate recipient of the prestigious Russell & Burch Award presented every three years by The Humane Society of the United States to scientists who are outstanding contributors to the advancement of alternative research methods.

With memberships and active participation in groups such as the Society of Toxicologic Pathology, Johns Hopkins University's Center for Alternatives to Animal Testing, the U.S. Food & Drug Administration Science Advisory Committee's Toxicology Subcommittee, and the Organization for Economic Cooperation and Development, Dr. Stitzel's contribution to animal welfare and alternative testing has gone well beyond P&G.

To validate new methods and have them accepted by the various U.S. regulatory committees, Dr. Stitzel, along with many organizations, actively supported legislation to create a permanent agency known as the Interagency Coordinating Committee for the Validation of Alternative Methods.

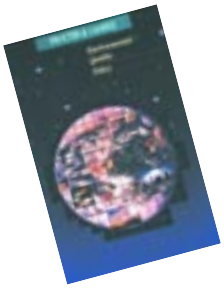
Dr. Stitzel served on the planning committee of the Fourth World Congress on Alternatives and Animal Use in the Life Sciences, held in August 2002. Dr. Stitzel retired in 2002 and remains an active player in the testing alternatives realm.

Environmental Quality Policy

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

more info

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



Climate Change Policy

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

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

Green Energy Supply for P&G in the UK

Nearly half the electricity used by P&G in the UK is now sourced from a "green" energy tariff – energy made from renewable sources such as wind and water. The Manchester, London, Havant, and Bournemouth sites and the UK head office at Brooklands are now using "green" electricity.

This makes P&G one of the largest users of "green" energy in the UK. This has positioned P&G as one of the lowest-cost corporate energy consumers in the UK while improving the overall environmental profile of products manufactured at these sites.

Great American Cleanup

P&G's Young William Cooper Procter Society organizes regular volunteering events so P&G people can get involved in the community. The Society's purpose is "to educate and mobilize P&G employees in the early stages of their careers to meet the external needs of the community by focused enrollment and active philanthropy."

The Society organized a Keep Cincinnati Beautiful event for April 2002, in conjunction with the Great American Cleanup. This is the nation's largest volunteer cleanup program and is sponsored by Keep America Beautiful. P&G employees participated in beautification efforts with the Cincinnati Park Board by planting flowers and trees.

on the Web

For more information visit www.GreatAmericanCleanup.org

A pedagogical path for children at the Sentier des Cabanes, located in a marsh area in the south of France.

P&G France – Foundation for Seashore Protection

In 1992, P&G France created the P&G Foundation for Seashore Protection through a unique partnership with the Conservatoire du Littoral, the French government seashore protection agency.

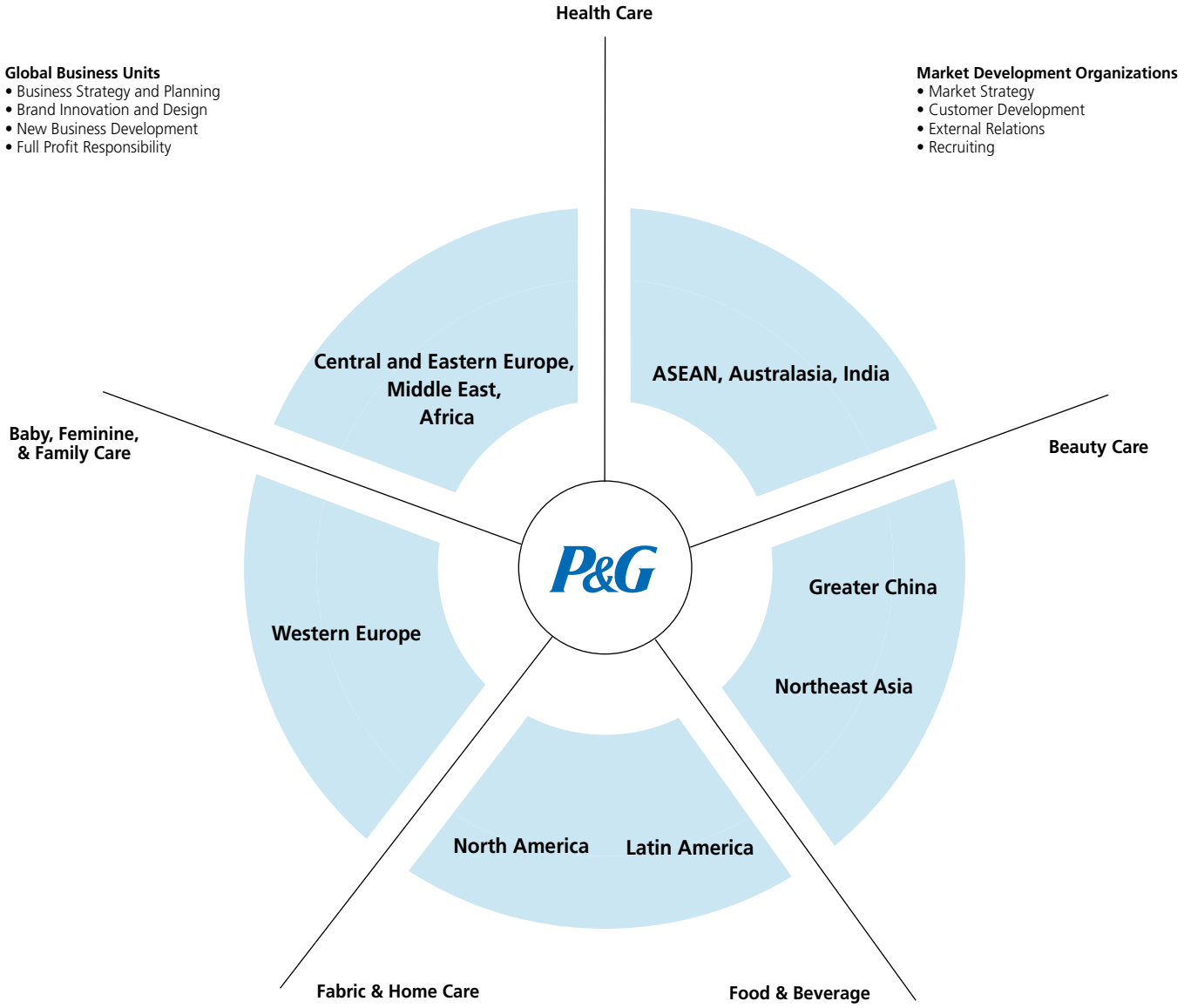
The P&G Foundation for Seashore Protection, which celebrates its 10th anniversary in 2002, renews its program for an additional five years with a focus on "managing the seashore in a sustainable way." The Foundation has two key missions: funding and development of environmental research, and helping the Conservatoire publicize its accomplishments. The Foundation's many contributions include scientific research, university theses, workshops, publications, creation of a teaching center for schoolchildren, and the Conservatoire Web site.

P&G donates approximately $150,000 yearly to the Foundation, as well as investing its human resources, skills, and expertise.

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, and at less cost. 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.



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

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

Joaquín Zepeda – A Leader in Sustainable Development
As a chemical engineer from the Universidad Autónoma de Mexico, Joaquín Zepeda joined P&G in 1966, in Mexico, as part of Latin America Research & Development. During his 35-year tenure at P&G, he worked in several locations and professional areas, such as Exploratory Surfactant Development, Brand Management, Professional Relations, Professional & Regulatory Services, and Environmental Safety. In 1998, Mr. Zepeda helped our organization move from Environmental Quality into Sustainable Development.

Some of his outstanding contributions have been:
- Vice president Soaps and Detergents Association, Mexico
- President of Perfumes and Toiletries Association of Mexico
- President of the Committee on the Environment of CANACINTRA and CONCAMIN (Federation of Industrial Chambers)
- Founder and president for three years of "Iniciativa" GEMI (Global Environmental Management Initiative). Led the enrollment of other companies and founded the organization in Mexico.
- Led development, with other industries, of the Industry Sustainable Development Organization in Venezuela (IEVA-CEVEDES)
- Led formation of the Latin American countries' Industry Associations for Solid Waste
- Formulated industry positions on and led successful resolution of debate on topics such as Green Seals and extended producer responsibility vs. integrated solid waste management

Lessons to share, from Joaquín Zepeda:

"P&G, the best possible university you can go to."

"We have a great opportunity to focus on the bottom of the pyramid, to make business, yes. But also to help these people enter into the economy of the world and help them improve their lives."

Haile Mehansho – Making a Difference
Haile Mehansho experienced poor nutrition firsthand, as a child in rural Eritrea, Africa. Because of his early experiences, he developed a vision for improving the nutritional value of the world's food and water supplies. He became a talented P&G chemist and has taken extraordinary steps toward that vision by spending 15 years at P&G working to develop products to solve problems such as stunted growth and impaired mental development. His pioneering work on NutriStar has improved nutrition in Venezuela.

Mr. Mehansho has received eight patents, several of which are already in products making a difference in people's lives. UNICEF and USAID (the U.S. Agency for International Development) have recognized and supported Mr. Mehansho's work.

Management Systems

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

Human Resources

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

more info

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

Employee Self-Service

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

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

Employee Privacy

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

Harassment Policy

P&G is committed to providing a harassment-free work environment. This is the right thing to do not only from a social perspective but also from a business perspective because it enables employees to contribute to their highest potential. This maximizes the competitive advantage of our diverse workforce. 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.

Insurance Systems

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

more info

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

Go Give & Grow PG

Go, Give & Grow – An Unrivaled Learning Experience

Last year we introduced the Go, Give & Grow program for new P&G employees. It is a natural extension of P&G's social commitment to the community. Under this program, new college graduates intending to join P&G are given a chance to "Go" to work on community projects, "Give" to the community, and "Grow" their skills – all before officially starting their P&G jobs.

This year's Go, Give & Grow participants are Lucy Morgan, Stop Tuberculosis Partnership, Geneva; Elaine Gardiner, Roll Back Malaria Campaign, Geneva; and Gareth Maguire, Polio Eradication Project, Ethiopia. They worked for six months on a variety of essential programs that will help improve life in local communities.

on the Web

For more information on their progress, please visit: http://www.pgcareers.com/about/ggg/diaries.asp

Human and Environmental Safety of Our Products

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

more info

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

P&G Inside Out

In February 2002, stakeholders mixed with senior P&G managers and employees during a first-ever European event held at P&G's Fabric & Home Care European Technical Center in Brussels.

Eighty invited guests attended P&G Inside Out to hear business leaders and project staff talk about the need for innovation in today's products and transparency in today's business.

Besides talks, the event included tours of the Technical Center and the nearby Mechelen plant. But the heart of the event was an exhibition showcasing science and innovation in P&G's products and highlighting P&G's external partnerships, such as the EU, the Confederation of Family Organizations in the EU, and UNICEF.

Inside Out built better understanding with a wide range of key stakeholders: government, suppliers, customers, consumer and industry associations, academics, NGOs, media, and our Brussels employees.

Worldwide Health, Safety & Environment Systems at Manufacturing Operations

Health, Safety and Environment (HS&E) is a global community of resources responsible for ensuring that all manufacturing facilities worldwide are operated safely and legally; that process hazards are minimized or eliminated; that health risks are identified, managed, or eliminated; and that waste from sites is reduced as much as possible. Several thousand employees spend all or a portion of their time on HS&E management; this totals more than 1,178 full-time equivalents.

more info

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

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 has continued to do HS&E benchmarking, facilitated by Pilko & Associates, with other multinational companies such as BASF, BP, Celanese Ltd., Dow Chemical Company, Du Pont, Eastman Kodak, Shell Chemicals, and Solutia Inc. Benchmarking involved a detailed review of HS&E manufacturing and management systems and performance.

The top-line conclusions from this study indicated that P&G is in the upper part of this 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:

- Middle of group for Injury/Illness Rate for employees
- Middle of group for Lost Workday Rate for employees
- Lowest penalties paid (in $/yr per $ billion sales)
- Middle of group for property loss (in $/yr per $ billion sales)
- Lowest HS&E operating costs (in $/yr 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.

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

P&G Belleville Hospital Donation

P&G's Feminine Care plant in Belleville, Ontario, Canada, pledged one million Canadian dollars (almost $650,000 USD) to the Belleville General Hospital – the single largest donation P&G Canada has made to a non-profit organization.

The plant was able to link P&G's safety program and its cost savings to community investment. It did this by pledging to donate to the hospital and workers any compensation savings resulting from reduced injuries. It was highly motivating for plant employees to be able to give back to their community through improved safety behavior.

The safety program included loss analysis, behavior observation, feedback systems, higher safety standards, and safety training. As a result of these programs, the manufacturing site achieved 2.7 million hours without a lost-time injury, which equaled $1 million (CAN) in savings.

P&G's donation established the P&G Family Center at Belleville General Hospital, a maternal and child care unit designed to improve the lives of newborns, mothers, and older children for years to come.

Medical Systems

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

Global Medical manages health issues that may affect employees, technologies, and brands. As P&G is a principles-driven Company, all medical system work is undertaken in the following order of priority:

1. Save a Life (Protect our People)
2. Obey the Law (Protect Company Reputation)
3. Protect Key Technologies (Protect Brand Integrity)
4. Enhance Speed to Market (Protect Emerging Technologies)
5. Optimize Employee Productivity

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

Fire Protection Systems

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

Each facility's program is organized and built around the following key elements:

- Protection Engineering
- Maintenance and Inspections
- Prevention Programs
- Emergency Response
- Qualified Personnel

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

Principal Industry & 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 2002, P&G joined the Pet Food Manufacturers Association.

more info

For a complete list, please click here.

The EU Committee of the American Chamber of Commerce (AmCham)
The EU Committee of AmCham, headquartered in Brussels, Belgium, represents to European policy makers the views of European companies of American parentage. It brings together practitioners from different companies active in different sectors and operating across Western Europe to discuss a variety of European policy and legislative subjects that affect business in Europe. This includes environmental legislation, social policy, consumer policy, fiscal affairs, EU expansion, and trade. Regular publications, such as the EU Environment Guide and the Consumer Affairs Guide, are highly regarded by stakeholders as practical, insightful information and guidance for those interested in EU policy.

The EU Committee provides a unique forum for dialogue between business and policy makers, including NGOs. Corporate members who operate in both the United States and Europe are in a unique position to build bridges between regulators in both the United States and the European Union. The vision is that the debate and exchanges may eventually contribute to a more harmonized business environment between the United States and Europe.

The subject of sustainability has been high on the agenda of the EU Committee of AmCham. P&G was one of the corporate members contributing to the creation of a task force set up to offer practical input to the European Commission and Parliament on the increasing importance of sustainable development in the European Union.

North America
In 2002, there were no changes since last year.

more info

For a complete list, please click here.

United States Council for International Business
The United States Council for International Business was founded to promote a world trading system. The organization has more than 300 multinational companies, law firms, and business associations as members. The Council helps shape international policy issues. It also provides critical information about international policy and regulatory issues to its members. With affiliates throughout the world, members have access to a vast network of expertise.

Latin America
In 2002, there were no changes since last year.

more info

For a complete list, please click here.

Asia
In 2002, there were no changes since last year.

more info

For a complete list, please click here.

Worldwide
In 2002, there were no changes since last year.

more info

For a complete list, please click here.

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 also taking advantage of the intellectual capabilities and energy of P&G people. We look for areas where we can make a significant long-term, systemic difference. This leads us to focus heavily on education and health, with special emphasis on youth. It also leads us to build alliances with strategic partners to achieve a better result than we could alone. We look to our people in the area to work with their local communities and government officials to learn where we can make the biggest difference.

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

NGOs: Local - Regional - Global

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

Scientific Community

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

A.D.O.P.T. – Actively Doing Our Part Together in Cincinnati
Our Statement of Purpose says that P&G will be a Company that envisions prosperity for the communities in which we live and work. A.D.O.P.T. –Actively Doing Our Part Together – is P&G's response to the challenge of making our headquarters city – Cincinnati – a great place to live and work for all citizens. Through the A.D.O.P.T. program, every employee can create positive change in the city and in the region surrounding it.

P&G believes that the health of Cincinnati's downtown is important to our quality of life. This includes its businesses, its entertainment and culture, its special events and festivals, and its commerce, such as shopping and hotels.

What happens in the city affects everyone in it, including P&G. Unresolved community issues can affect P&G's ability to conduct business in Cincinnati. Over time these issues challenge our ability to attract and retain top talent.

Coming together as a city, region, business, and individuals, we can build a community in which we all thrive.

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

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

Book: "Desarrollo y Calidad de Vida"
(Development and Quality of Life)
Written by Carlos Sabino, edited by the Center for the Diffusion of Economic Thinking – Venezuela, sponsored by P&G Latin America

This book presents a positive and optimistic view of development and the fundamental benefits to modern life. Modernity and development are the only tools we have to confront poverty. It is unthinkable to combat poverty without producing wealth, and to produce wealth it is necessary that we create conditions to make the poor productive.

The book discusses how development can be achieved within the particular environment of Venezuela and Latin America. It says development is a process based upon a few simple fundamentals:
- The will to improve and change
- Liberty of commerce and production
- Legal and judicial security
- Representative and responsible governments

Mr. Sabino's book notes that none of these factors can be excluded from the equation. They are all necessary conditions.

Iams and the MIRA Foundation Help Make the World a Better Place for the Blind and Physically Challenged
For the past 10 years, Iams has been a special partner of The MIRA Foundation, an organization in Quebec, Canada, that trains guide dogs to assist blind and physically challenged people. All services offered by MIRA are free to those receiving the trained dogs.

Every year, Iams donates more than $90,000 worth of Eukanuba dog food to help feed the dogs in their kennels and training facilities.

In 2002, Iams donated $152,000 toward construction of the Eukanuba Center, a new housing project specifically designed for people with motor deficiencies. This facility is where future service dog owners – paraplegics, quadriplegics, and people with multiple sclerosis and muscular dystrophy – will live while training with their service dogs. The dogs are trained not only to guide people but also to execute special skills such as reaching for keys and opening doors.

on the Web

To learn more about MIRA, please visit:
http://www.mira.ca/contenta/introa.html

Consumers

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

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

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

Our commitment to our consumers does not stop there. When our products reach the market, we want to hear what consumers have to say about them. Toll-free phone numbers on our packages make it easy to contact us. Via our Consumer Relations organization, we learn a great deal from the more than 5 million consumers worldwide who contact us each year.

Our skilled Consumer Services advisors are expert in responding quickly and effectively to occasional requests for urgent help (such as following accidental ingestion of a detergent), answering general questions, and listening to comments. Consumers call to ask for information or to tell us about their experiences with products – delights or, less fortunately, disappointments. Based on what consumers tell us, we make decisions to retain features of our products that consumers like, make improvements where necessary, and address specific issues such as difficulties with packaging or with product availability in their local store.

Consumer calls give us critical early indications about consumer acceptance of our new initiatives as well as valued feedback about established products. What these callers tell us has influenced our product development, packaging, the way we manage direct marketing and promotions, the way we communicate with consumers to enable them to get the very best from our products – and more.

We listen carefully to consumers' views on important topics such as animal testing and waste management. You can find more details about our efforts in these areas elsewhere in this report.

ThermaCare HeatWraps Launch in the United States

ThermaCare HeatWraps are now available in drug, mass merchandise, and grocery stores in the United States. ThermaCare is a new wearable, air-activated heating pad that provides at least eight hours of continuous low-level heat therapy. ThermaCare provides pain relief 52 percent better than acetaminophen and 33 percent better than ibuprofen (the active ingredients in Tylenol and Advil) for acute low back pain. ThermaCare goes beyond pain relief to provide deep muscle relaxation and increased flexibility.

Three different types of ThermaCare HeatWraps are available for treating low back pain, neck-shoulder-arm pain, and menstrual cramps. The American Physical Therapy Association endorses ThermaCare HeatWraps. In addition, ThermaCare is the official back pain therapy of two major golf tours – the PGA Tour and the Senior PGA Tour – and the official topical heat therapy of the National Athletic Trainers Association.

NutriStar In Venezuela

Venezuela, like most developing nations and the majority of third-world countries, shows a high prevalence of nutritional deficiencies that affect child development. In response to this problem, P&G launched NutriStar in Venezuela in September 2001. The product is a fruit-flavored drink powder fortified with Creciplus. Creciplus contains micronutrients to combat what has been named "Hidden Hunger" – deficiencies of micronutrients such as iron, vitamin A, and iodine. NutriStar provides 13 vitamins and minerals important for the optimal development and growth of children.

We are providing this nutritionally fortified powder at an affordable price and have made it available in Happy Meals sold at McDonald's.

The initiative has been complemented by the formation and launch of the Alliance for Health and Nutrition in Venezuelan Children. The P&G Nutrition Science Institute, Fundación Bengoa, the Venezuelan National Institute of Nutrition, the Venezuelan Health Ministry, UNICEF, and expert nutritionists are members of the alliance. The purpose is to build awareness of the need for micronutrients.

on the Web

More information can be found at:
http://www.nutristar.com/

Sharing Fabric & Home Care Science and Product Safety
Through P&G's new Western European Fabric & Home Care "Science in the Box" Web site, the Company shares with the public product formula and ingredient safety information, research and development methodologies, and human and environmental safety approaches.

With our stakeholders, we have identified the need for more openness and transparency about what we do and how we do it. We have listened to the need to share our data and to suggestions for designing our Web site. We will continue to take into account new needs and new wishes from our stakeholders. The Web site provides people with the opportunity to learn that our products are based on sound science and are safe for humans and the environment (we minimize negative impact as much as we can), that we are a sound science-based organization, and about the chemistry behind everyday cleaning.

on the Web

For more information, please visit:
http://204.71.35.9/home.html

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

P&G Supports SETAC Asia/Pacific Symposium 2001
The Society of Environmental Toxicology and Chemistry (SETAC) held an Asia/Pacific Symposium in Kanazawa, Japan, in November 2001. More than 180 people participated from Asia, the United States, the UK, and Germany. In addition to supporting the event financially, P&G designed the event's Risk Assessment/Governmental Policy Symposium. Global speakers included experts from government (Japanese Ministry of Environment, Chinese State of Environmental Protection Agency), universities (Kyoto University, Japan, and University of Cincinnati, USA), and industry (P&G and Arch Chemicals). Discussion centered on advancements in the areas of risk-based environmental safety assessment and environmental regulations in the Asia/Pacific region.

Participants were enthusiastic about P&G's efforts in Direct Discharge Environmental Risk Assessment and Development of Predictive Environmental Models applying the Geographic Information System. P&G continues to be an active participant in SETAC in the area of environmental protection.

SETAC Asia·Pacific Symposium 2001 Kanazawa, Japan

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 goods, 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.

Corporate Governance and Management's Responsibility

Procter & Gamble is committed to doing what's right. Our actions – the actions of all employees – are governed by our Purpose, Values, and Principles. These core values set a tone of integrity for the entire Company – one that is reinforced consistently at all levels, in all countries, internally and externally.

Importantly, this extends to our accounting and financial reporting responsibilities. We understand our responsibilities to investors. As part of this, we are committed to providing accurate and understandable financial reporting. This encompasses:

Maintaining a strong internal control environment. Our system of internal controls is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded, and that assets are safeguarded. We monitor these controls through self-assessments and an ongoing program of internal and external audits. Key employee responsibilities are reinforced through the Company's "Worldwide Business Conduct Manual," which sets forth management's commitment to conduct its business affairs with the highest ethical standards.

Focusing on financial stewardship. Even before the events that have shaken investor confidence, we had implemented a program to ensure employees understood their fiduciary responsibilities to shareholders. This ongoing effort encompasses financial discipline in our strategic and daily business decisions and brings particular focus to maintaining accurate accounting processes through process improvement, skill development, and oversight.

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

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

Providing investors with financial results that are complete and understandable. The consolidated financial statements and financial information found in our annual report are the responsibility of management. This includes preparing the financial statements in accordance with generally accepted accounting principles in the United States of America, which necessarily requires estimates based on management's best judgment. Our independent auditing firm, Deloitte & Touche, has audited our financial statements and has expressed an unqualified opinion that they are correct. We are committed to providing timely, accurate, and understandable information to investors.

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

on the Web

To read P&G's 2002 Annual Report, please click here: http://www.pg.com/content/pdf/01_about_pg/01_about_pg_homepage/about_pg_toolbar/download_report/annual_report.pdf

Performance

Performance

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

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

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

Acquisitions and Divestitures
All facilities that operated during the fiscal year, including recently acquired Clairol, reported data. The Clairol acquisition did not materially change any of our performance data. For divestitures, wastes and emissions are estimated for the last year in which they operated.

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. 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. P&G is particularly well positioned to do this because we are in touch daily with the needs of the world's consumers.

Major Opportunities and Impacts Associated with Products and Services

Environmental Protection
- Water
- Resource Use
- Waste Reduction

Social Responsibility
- Health
- Hygiene
- Education

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

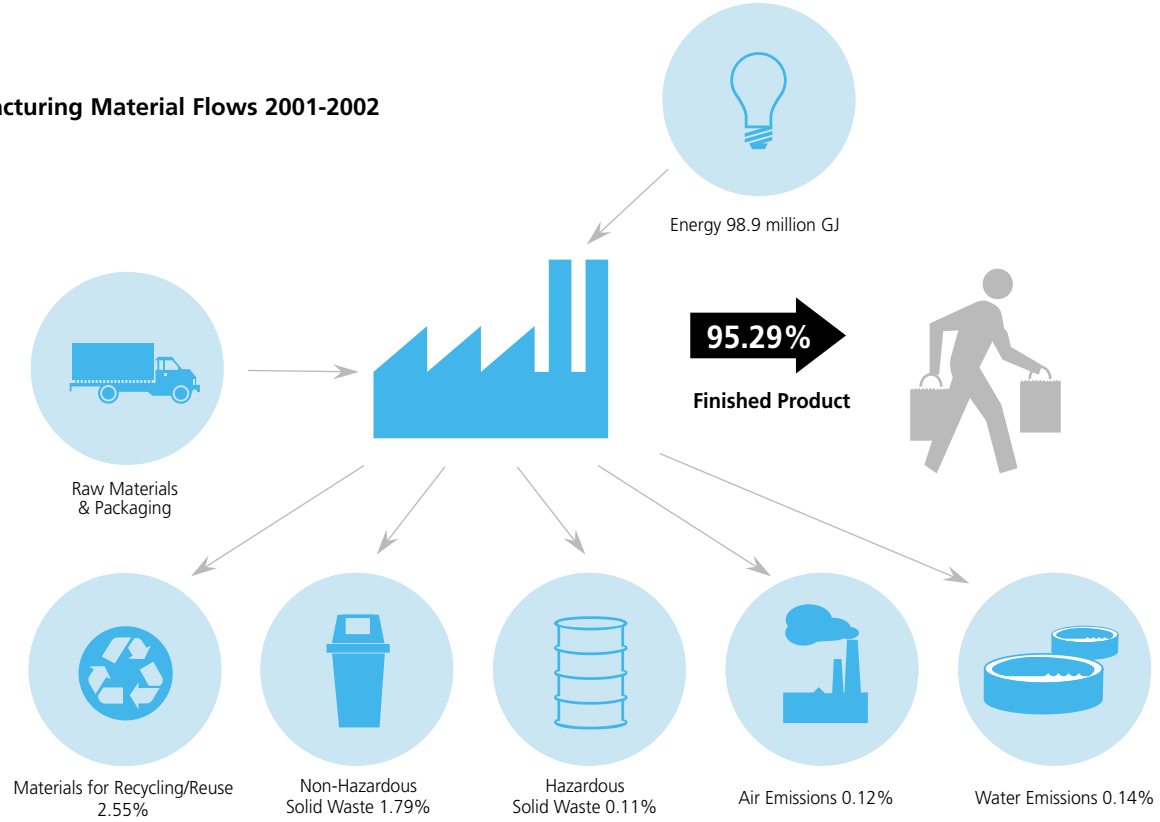
The very nature of producing and using products causes P&G and consumers to use resources and to generate wastes and emissions. P&G is committed, through its Environmental Quality Policy, to reduce or prevent this whenever possible.

P&G aims to provide social and economic benefits that improve the lives of the world's consumers. We do this by providing innovative technologies that represent value. We provide employment in our communities, support the local and national economies 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-value products.

Environmental

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

Manufacturing Material Flows 2001-2002



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

All units are in thousands of metric tons unless otherwise noted.†	Totals			2002 Global Business Unit Detail*				
	2002	2001	2000	**BFFC**	**FHC**	**BC**	**HC**	**FB**
Production								
Product Shipped	**16,151**	15,808	13,936	3,652	8,426	984	1,098	1,992
Raw Materials from Recycled Sources	**208**	208	476	208	0	0	0	0
Waste								
Generated Waste	**798**	910	879	504	121	59	33	81
Percent Recycled / Reused Waste	**54%**	51%	55%	55%	57%	46%	51%	50%
Disposed Waste								
Solid Waste								
Non-Hazardous	**304**	376	317	196	37	23	14	33
Hazardous	**19**	13	12	8.7	4.7	3.8	0.7	0.8
Effluents (Excluding Water)	**23**	36	39	7.9	6.5	3.8	0.8	4.2
Air Emissions**	**20**	15	19	13.3	3.4	0.6	0.4	2.1
Other								
Energy Consumption (10^5 GJ)	**989**	1,068	1,080	614	195	44	41	94
Greenhouse Gas Emissions**	**3,309**	3,210	2,983	2,365	419	88	95	342
Water Consumption (million cubic meters)	**85**	88	87	56	13	4	2	10
SARA Releases (metric tons)***	**1,274**	1,722	1,858	34	831	346	0	63

† 1 metric ton = 1,000 kg = 2,205 lbs.
* BFFC = Baby, Feminine, & Family Care; FHC = Fabric & Home Care; BC = Beauty Care; HC = Health Care; FB = Food & Beverage
** 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 by the U.S. Environmental Protection Agency.

Energy

Energy efficiency has significantly improved this year. This was a broad-based improvement in all business units. We have also fixed a mistake in the calculation for the eco-efficiency* index; instead of being ten times as eco-efficient, we are closer to six. This had no effect on the actual reported energy use values.

The results are shown in actual value by business unit and also presented in an eco-efficiency format. Our eco-efficiency is almost six times our 1985 energy use, measured as production units per gigajoule (GJ).

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

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

on the Web

To learn more, please visit: http://www.wbcsd.com/

Witzenhausen Plant Energy Improvements

Germany's Witzenhausen Family Care plant has implemented several energy-related projects resulting in a total energy savings of 35,700,000 kWh for gas and 1,740,000 kWh for electricity. These projects reduced greenhouse gas emissions by 20,000 metric tons. As the first paper products plant in Germany to be built with a closed water and energy loop, Witzenhausen has been geared for energy savings from its beginning.

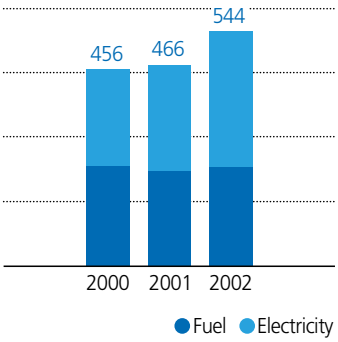
Gas consumption reduction has resulted in savings of 18,300,000 kWh per year in the papermaking area and 3,600,000 kWh per year in the tissue production area. Changes were made to the drying portion of the papermaking process, enabling the drying of paper felt to be optimized. The resulting paper felt requires less energy to be converted into finished tissue products.

The biggest part of the energy savings involved using steam condensate to heat the ceiling of the papermaking area. This eliminated the use of natural gas for heating.

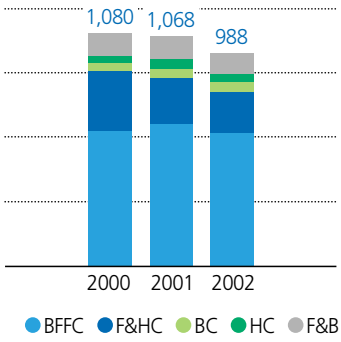
Electricity consumption was reduced by 180,000 kWh per year through a system monitoring peaks in electricity usage. At peak consumption times, up to 10 different electrical systems can be automatically shut down for short periods to save energy. Use of "smooth start-up" and frequency inverters on certain energy-intensive equipment has lead to considerable energy savings.

These examples of energy reduction follow a pattern of significant contributions to environmental improvement by the Witzenhausen plant.

Energy Eco-Efficiency
(global production units / gigajoule, indexed vs. 1984-1985)



Energy Consumption
(by GBU, 10^5 GJ)



Western Europe Distribution Strategy

Historically our distribution networks in Western Europe were primarily country-based. Today we have a comprehensive Western Europe Distribution Strategy and are implementing a network of Regional Distribution Centers to support growing customer requirements for delivery of a broader range of products with increased flexibility and responsiveness. The full product range is available for delivery to customers' warehouses within 24 hours of P&G's receiving an order.

Advantages are:

1. Environmental: Distances driven by our trucks are reduced by approximately 10 million kilometers per year due to
   - optimum siting of Regional Distribution Centers
   - increased ability to more fully load trucks because they now carry a multiproduct assortment
   - an increase in shipments going direct to customers from P&G plants
2. Improved service performance, which will lead to increased availability of products on supermarket shelves and increased sales for P&G and its customers
3. Logistics cost savings of more than $25 million for P&G

Cabuyao Fabric & Home Care Plant Moves to Recycled Paper for Shipping Containers

In fiscal year 2001-2002, the Cabuyao Plant (Philippines) converted all its Fabric & Home Care shipping containers from kraftliner to testliner material. Testliners are made primarily from recycled paper and are less expensive than kraftliners, which come mostly from imported virgin pulp. This has resulted in benefits to the local environment and cost reductions for P&G.

Philippines Mr. Clean Detergent Bars

A Life Cycle Inventory for Pampers Packaging Innovations

The environmental improvements of Pampers' packaging innovations have been quantified by a Life Cycle Inventory covering resource consumption (energy, water, raw materials) and environmental emissions (airborne, aqueous, solid waste). This Inventory complies with ISO (international trade) standards, and results demonstrate overall environmental improvements in all Life Cycle Inventory parameters:

- An 80 percent reduction of packaging material weight per diaper
- A decrease in energy consumption by 44 percent, in water usage by 72 percent, and in raw materials by 73 percent
- CO_2 from fossil and renewable sources decreased by 78 percent. SO_2 and NOx decreased significantly, by 73 percent and 93 percent respectively.
- The water emission indicators COD (chemical oxygen demand) and BOD (bio-chemical oxygen demand) decreased by more than 97 percent.
- Total solid waste generated along the entire life cycle decreased by 79 percent.
- A sensitivity analysis assuming alternative waste treatment scenarios (100 percent landfilling, incineration, or recycling) confirmed that the environmental improvements of Pampers packaging were achieved predominantly due to material innovations.

P&G Australia Becomes a Signatory to the National Packaging Covenant

The National Packaging Covenant is Australia's voluntary national framework for minimizing and managing the environmental impact of consumer packaging and household paper. As a member of the National Packaging Covenant, P&G Australia has created an action plan with these objectives:

- Ensure that all P&G products sold in Australia conform to or exceed the provisions of the National Packaging Covenant and its Environmental Code for Packaging
- Review local operations in terms of the environmental impact of packaging and paper, and undertake improvements if needed
- Contribute to the improvement of post-consumer waste management
- Facilitate knowledge transfer between P&G Global and Australian packaging/environment stakeholders

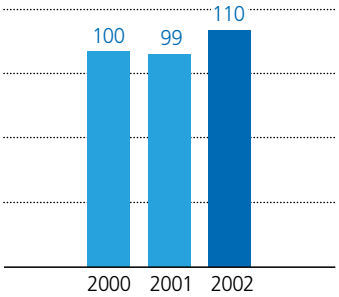
on the Web

P&G's Action Plan is accessible on the Web at http://www.packcoun.com.au/ap_procter.doc

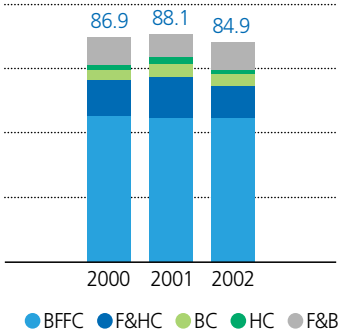
Water

Sites began tracking the consumption of water four years ago. Water use has decreased, resulting in the eco-efficiency's going up 10 index points this year. Efforts that began a year ago to reduce water consumed have started showing results.

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



Water Consumption
(by GBU)



Emissions, Effluents and Wastes

Greenhouse Gas

Though the sheer eco-efficiency of greenhouse gas has increased only slightly this year, the eco-efficiency indexes for 2001-2002 show extremely good results: P&G increased by three fold the amount of product leaving its plants per metric ton of CO_2 emissions from its plants, compared to 1990. The main reason is the shift from fuel combustion to electrical generation and also from fuel oil to natural gas.

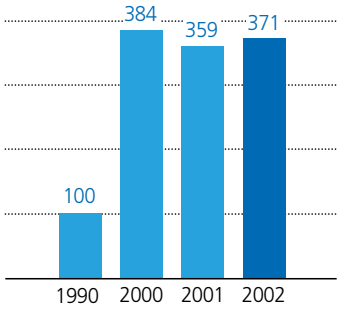
In addition, absolute CO_2 emissions are still much lower than the 1990 baseline. The decrease from 1990 resulted from the sale of pulp mills in the United States and Canada, and the conversion of coal to natural gas in the United Kingdom and China.

Green Bay Plant Wins Friend of the Environment Award

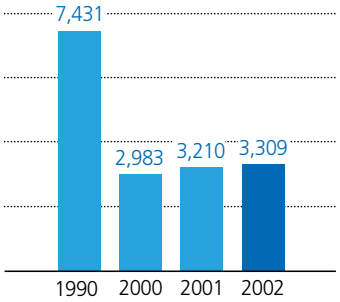
In May 2002, P&G was given the Friend of the Environment Award. Presented by the Wisconsin Environmental Working Group, an affiliate of Wisconsin Manufacturers & Commerce, the recognition was in the area of pollution prevention.

The award was for the installation of an innovative heat recovery exchange system. The environmental impact of the new system has been significant. The Company is conserving more than 11,000 U.S.tons of coal and 32 million cubic feet of natural gas annually. Air emissions and landfill use, as well as thermal pollution discharge, are reduced.

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



Greenhouse Gas Emissions
(thousand metric tons)



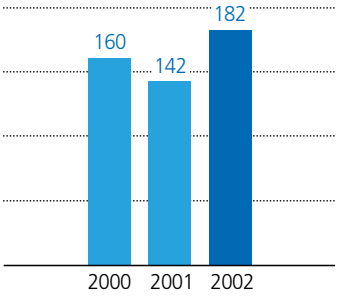
Total Waste for Disposal

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

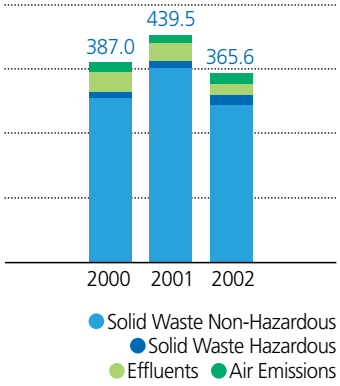
Our disposed waste numbers have gone down by more than 72,000 metric tons, resulting in a 40-point increase in eco-efficiency. This is mainly due to much less demolition waste and ongoing efforts to reduce waste in all areas.

Our pollution prevention and Design Manufacturing Waste Out programs have saved more than $500 million cumulatively in the past decade while reducing waste by one-third.

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



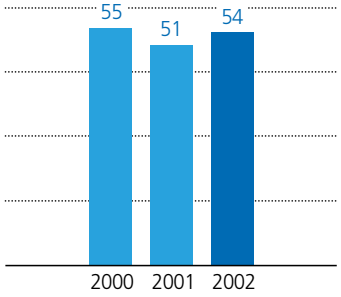
Waste Disposed
(by type of waste)



Waste Returned to Process or Market

Even though the actual quantity of recycled/reused material went down 30,000 metric tons, the percent recycled was higher (54 percent versus 51 percent), and the revenue achieved increased from $15 to $20 million.

Waste Recycled or Reused
(percent of waste)



Euskirchen, Germany, Develops Better Rinse Water Disposal

The best way to discharge rinse water from the production of baby wipes with lotion at the Euskirchen, Germany, plant was to dispose of it in the local municipal sewage plant.

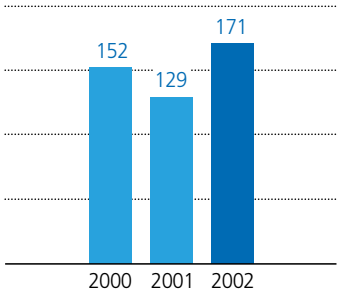
A chemical institute was consulted to analyze the rinse water to make sure it wouldn't disturb the process at the treatment plant. The analysis indicated we could discharge the effluent into the treatment plant, but only with a maximum concentration of 0.01 percent of the normal wastewater intake. Technical and organizational systems were installed to ensure the concentration stays below the limit. A qualified transportation company was hired to carry the rinse water in tank trucks to the treatment plant.

Working with government authorities, P&G obtained a special permit to discharge the rinse water at the treatment plant. This new process has resulted in a savings to the environment, and also to P&G, at an annual rate of $44,000.

Non-Product Output to Land – Non-Hazardous

Overall, the non-hazardous waste disposed to landfill has decreased this year, resulting in a 42 index point increase in eco-efficiency. There has been considerably less demolition waste this year, and other waste reductions have been made. The sites' waste management costs have decreased; the increase in revenues (from $15 million to $20 million) from recycling operations was part of the decrease.

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



Clairol Plant Recognized by U.S. EPA

National Environmental Performance Track is a leadership program administered by the U.S. Environmental Protection Agency (EPA). It is designed to recognize facilities that consistently meet legal requirements and have implemented high-quality environmental management systems.

P&G's Clairol plant in Stamford, Connecticut, USA, has been recognized by the EPA for its high-quality environmental management systems and its commitment to continuous improvement. As a Performance Track charter member in 2000, the plant made a commitment to improving its environmental performance over a three-year period. In 2001, the Stamford plant achieved its three-year reduction commitment in Energy and Water Use and Greenhouse Gases Emission and is on track to meet the Hazardous Wastes reduction by 2003.

The EPA is making changes (expected first-set finalization in 2003) in its regulations that will reduce paperwork and streamline requirements for Performance Track members. These changes are designed to achieve better environmental results at less cost.

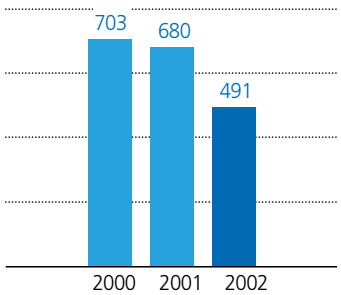
on the Web

To learn more, please click on:
http://www.epa.gov/performancetrack/program

Hazardous Solid Waste Disposed

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

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



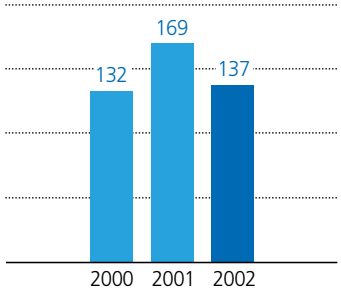
Integrated Solid Waste Management Workshop Held in Saudi Arabia

P&G and the Arab Network for Environment and Development organized a workshop on Integrated Solid Waste Management (ISWM). The workshop was held on Earth Day – April 22, 2002 – under the auspices of the president of the General Directorate of Metrology and Environmental Protection in Saudi Arabia. This was the first time such a workshop had been held in Saudi Arabia. Dr. Forbes McDougall from P&G gave two presentations that explained the concept of ISWM and Life Cycle Assessment. In addition, he provided a demonstration of IWM-2, a P&G-developed life cycle computer model for solid waste management systems. This approach generated outstanding interest by delegates, who saw it as a way to achieve sustainable solid waste management systems in Saudi Arabia.

Air Emissions

Each site monitors total suspended particulates, volatile organic compounds (VOCs), carbon monoxide (CO), nitrogen oxides (NOx), and sulfur oxides (SOx). The total amount of air emissions released has increased 33 percent, resulting in a lower eco-efficiency.

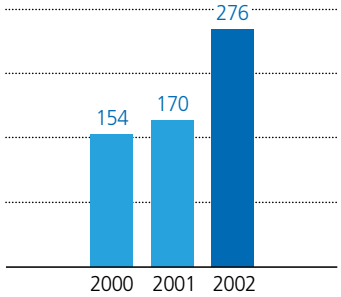
Air Emissions Eco-Efficiency
(global production units per metric ton, indexed vs. 1990)



Effluents to Water

Wastewater COD (chemical oxygen demand) went down more than 30 percent, resulting in a much higher eco-efficiency. The reduction was in part due to the divestiture of several wastewater-intensive sites.

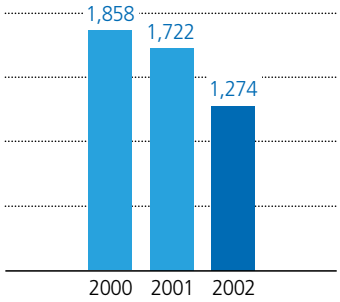
Wastewater COD Eco-Efficiency
(global production units per metric ton of COD, indexed vs. 1990)



SARA 313 Releases (United States only)

U.S. P&G facilities report annually on the release of toxic chemicals to the air, water, and land. These releases are defined in the U.S. Superfund Amendments and Reauthorization Act (SARA) by the U.S. Environmental Protection Agency. The purpose of this section (referred to as section 313) is to report publicly the releases and transfers of a set list of hazardous chemicals. The amount of SARA 313 releases has decreased for the third year in a row, even though the number of chemicals being reported has increased due to expanded regulation.

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



Audit Programs

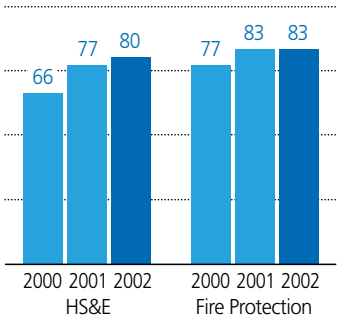
P&G's internal standards go beyond legal compliance and apply to all its facilities worldwide. The fundamental philosophy is to have the same standards worldwide, implemented by trained professionals at all sites and audited each year using a consistent, comprehensive approach. The metrics used are consistent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

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 the business management teams, who must address and correct all issues in a timely manner.

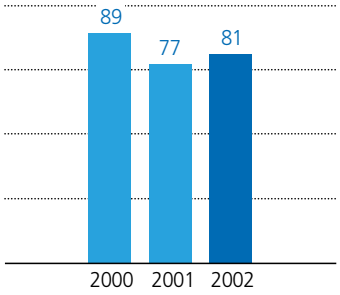
Audits measure performance against a mandatory set of standards and standard operating procedures. The target performance is eight or better on a 10-point scale. Results have improved slightly from last year even though the number of individual sites receiving audits this year has decreased.

The Company takes great pride in making sure the sites are reviewed on a frequent basis. The chart shows percent of sites receiving an audit this year. Even though a number of new sites have joined the Company, we achieved an increase in the percentage of sites conducting annual audits.

Percent of Sites
with Audit Scores > 8.0



Percent of Sites Conducting
Annual Audits



Compliance with Laws and Regulations

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

The past three years' data on environmental, transportation, and worker health and safety violations and interventions follow:

	2002	2001	2000
Number	**58**	73	48
Fines	**$39,026**	$77,070	$13,400

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

	Number	Fines
Water-Based	17	$100
Air-Based	13	$8,000
Solid Waste-Based	2	$174
Paperwork	2	$0
Transportation-Based	8	$30,000
Worker Safety (for U.S. OSHA, the number was 14)	16	$752
Total	58	$39,026

Both fines and NOVs have decreased this year, as many of the issues regarding transportation of hazardous materials have been resolved.

Most water-based NOVs were related to pH, COD, and TOC measurements involving nine different sites, all of which discharge to municipal treatment systems.

Fines related to transportation of hazardous materials have decreased from $70,000 to $30,000. This is good progress, but more work is needed. Plans continue to be implemented.

OSHA interventions included any employee or contractor incident that required OSHA follow-up. Last year's interventions also included one routine visit. We have not received a serious citation since 2000.

Environmental Liabilities

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

Bekasi Plant Recognized for Wastewater Treatment

Indonesia's Bekasi plant is one of 60 companies receiving an award from Jakarta Province for staying within their wastewater discharge limits for the full 2001 calendar year. The plant treats wastewater using biological processes, without the use of chemicals except for pH adjustment and sludge handling.

As part of the awards ceremony in July 2002, the Bekasi plant participated in an exhibition presenting information on how an operation can be environmentally friendly.

Visitors to the Bekasi plant's exhibition booth included the deputy governor of Jakarta Province and Miss Indonesia.

Economic

on the Web

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

Economic Development

Innovation is P&G's cornerstone. More than $1.7 billion is invested annually in research and development – the largest amount among consumer product companies worldwide. We have more than 27,000 patents, and we average 3,000 new patents each year.

These intellectual assets are of tremendous value to P&G. But some are not being fully realized; we invent more than we can commercialize. Through our Global Licensing group, we identify non-strategic proprietary technologies, which when developed to their full potential can yield sustainable revenue sources.

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

Financial Highlights

Amounts in millions except per-share amounts	**2002**	2001	2000
Net Sales	**$40,238**	$39,244	$39,951
Net Earnings	**4,352**	2,922	3,542
Before-Tax Earnings	**6,383**	4,616	5,536
Total Assets	**40,776**	34,387	34,366
Basic Net Earnings Per Common Share	**3.26**	2.15	2.61
Dividends Per Common Share	**1.52**	1.40	1.28

Technology Donations Fiscal Year 2001-2002

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

Technology	Recipient	Sustainability Implications
Capillary Channel Film and Fiber Technology	Clemson University Research Foundation	• Significantly improves moisture removal and absorption in feminine hygiene, adult incontinence, and baby diaper products • Delivers antibiotics through wound-care dressing
Cationic Bleach Activators	North Carolina State University	• Strengthen the bleaching power of hydrogen peroxide used in the preparation of raw cotton and other fiber
Colonic Delivery Technology	Mayo Clinic	• Delayed-release capsules designed to dispense drugs in the colon to treat colon diseases
Hair Depilatory Technology	Textile Research Institute at Princeton University	• Gentle hair removal technology that can be left on the skin without irritation
Pulsed Air Drying	Institute of Paper Science and Technology	• Significantly reduces energy use in paper-making processes
SILA Smart Power Management System	University of Illinois	• Long-life batteries that efficiently transfer power/energy on demand, with minimum power loss and voltage conversion loss
Skin Pigmentation Control	Children's Hospital Medical Center, Cincinnati	• Reduces pigmentation loss resulting from burns, skin grafts, wounds

Global Purchases

P&G is a global Company. We produce our brands in approximately 130 plants in 45 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.

Restructuring

In 1999, concurrent with a reorganization of its operations into product-based Global Business Units, the Company initiated a multi-year restructuring program. The program is designed to accelerate growth and deliver cost reductions by streamlining management decision making, manufacturing, and other work processes, and by discontinuing under-performing businesses and initiatives. Technology improvements, as well as standardization of manufacturing and other work processes, allow the Company to streamline its operations resulting in the consolidation of manufacturing activity and various business processes.

Separation packages were predominantly voluntary and were formula-driven, their value based on salary level and years of service. Approximately 16,600 separation packages were provided through June 30, 2002. While enrollment reduction programs impact all geographies and businesses, a higher number of U.S. employees are affected, given the concentration of operations in the United States. Net enrollment for the Company may decline by less than the total of separations, as terminations will be offset by increased enrollment at certain sites, acquisitions, and other situations.

FINCA & P&G – Promoting Economic Development
FINCA (Foundation for International Community Assistance) is a non-profit organization providing micro-credit to the very poor in 20 developing countries in Latin America, Africa, and the Newly Independent States (NIS, formerly Soviet Union). Using the "village banking" method to provide loans without collateral, FINCA gives the poor an opportunity to start or expand their own businesses, which generates additional income and savings to keep their children alive, nourished, healthy, and able to attend school. The payback on FINCA loans is more than 97 percent. FINCA has recently been selected by *Worth* magazine as one of the 100 best charities in America.

Innovations occur as micro-finance institutions create strategic alliances with NGOs or companies offering to donate services such as business skills, health care, nutrition advice, water and sanitation, housing, schooling, human rights counseling, literacy training, and conflict resolution. It is here that FINCA provides a unique opportunity for P&G to deliver new learnings and tap into resources to reach the "bottom of the economic pyramid."

P&G visited FINCA's Guatemalan operations in May 2002. P&G has funded the formation of five new village banks in Guatemala. We are working with FINCA to identify ways to collaborate and use the village banking networks for establishing or improving the distribution of products such as NutriStar that will improve the quality of consumers' lives.

on the Web

To learn more about FINCA, please visit:
http://www.villagebanking.org/

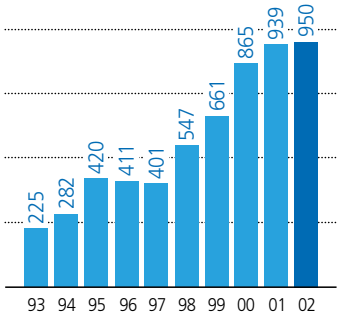
Supplier Diversity Program

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

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

P&G's supplier diversity purchases during fiscal year 2001-2002 in the United States have exceeded $900 million, accounting for about 8 percent of P&G's total U.S. spending.

Supplier Diversity Spending
(amounts in millions of dollars)



Our ongoing commitment to investing in minority- and women-owned business enterprises has resulted in increasing expenditures. During the 1990s, P&G spent more than $4 billion. Fiscal Year 2001-2002 results exceeded $900 million.

P&G Sets Supplier Diversity Goal to Spend $1.5 Billion Annually by 2005
P&G continues a steady commitment to economic inclusion of minority- and women-owned businesses by pledging to spend $1.5 billion annually with them by 2005. This makes P&G eligible to join the Billion Dollar Roundtable sponsored by *Minority Business News U.S.A.* in conjunction with *Women's Enterprise* magazine.

"With minority populations of today quickly becoming the majority of the population of tomorrow, we see a competitive advantage in increasing our business with entities that reflect our country's diverse consumers," says Daryl Hodnett, group manager of P&G's Supplier Diversity Development organization. "By doing business with diverse suppliers, we gain key insights into consumer behavior and preferences as a value-add to the high-quality services our suppliers are already providing."

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

Social

Wages

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

Benefits

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

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 is shown in the following table:

Global Enrollment % Female	**2002**	2001
Management	**34.6**	34.5
All Other Employees[1]	**41.6**	38.0

[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:

	2002	2001	2000
% Minorities			
Management	**16.1**	15.8	15.9
All Other Employees[2]	**20.3**	18.1	18.8
% Female			
Management	**34.4**	34.1	33.7
All Other Employees[2]	**38.0**	38.8	39.7

[2] Administrative, Technical, and Plant Technicians

Note: These numbers include the recent Clairol acquisition.

Philanthropic Contributions

P&G and its employees have a longstanding 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 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:

	2002	2001	2000
Total	**$29,587,237**	$27,503,686	$28,292,768

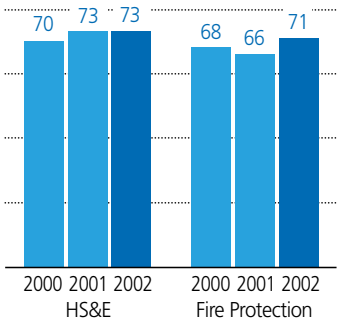
Contributions made by The P&G Fund and Corporate Contributions globally totaled $77,746,930 in the fiscal year ending 2002.

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.

Site HS&E Leadership Training

A key indicator of HS&E system capability is the percentage of sites with trained and qualified leaders. Leadership candidates train on site for an extended period prior to attending a week-long internal school where their knowledge and ability to handle special situations are assessed. Only then are candidates considered qualified. Currently, more than 70 percent of sites worldwide have leaders qualified by Corporate/GBU staffs. The number of sites with leaders qualified in Fire Protection has increased.

Percent of Sites with Qualified Leaders



Industrial Hygiene & Safety

The health and safety of Procter & Gamble employees are paramount in the Principles of the Company.

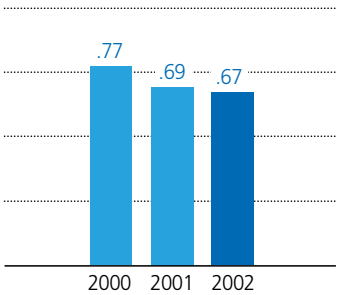
Nothing we do is worth getting hurt for.
Safety and health can be managed.
Every illness and injury could and should have been prevented.
Safety and health are everyone's responsibility.

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

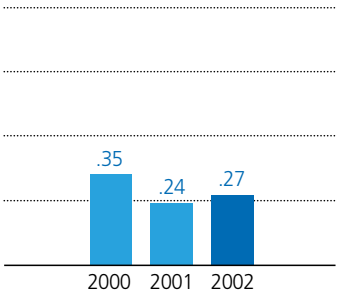
The TIR target for sites worldwide is fewer than 1.5 cases per 100 employees. To achieve this rate, programs to address employee safety – such as safe behaviors, ergonomics, and confined space entry – have been implemented. No target has been set for LWDC because of our belief that sites must manage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

The following data is based on criteria established by P&G for use at all worldwide facilities and is representative of all our manufacturing and technical centers worldwide. This year's total incident rate declined to .67 incidents per 100 employees while the lost workday cases has increased to .27 cases per 100 employees.

Total Incident Rate
(injury and illness per 100 employees)



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



OSHA – Outstanding Worker Safety Record

P&G's commitment to excellent health and safety programs continued in 2001. The Company had no serious citations from the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) and no dollar penalties for the year. We have achieved this performance level in three of the last five years and have not had a serious citation during this period.

Ivorydale Plant Recognized for Excellent Construction Safety Performance

In November 2001, industry peers recognized Cincinnati's Ivorydale plant for its excellent construction safety performance. The Construction Users Round Table presented Ivorydale with a CISE (Construction Industry Safety Excellence) Award in the "ongoing plant operation" category. The Construction Users Round Table is an association of leading corporations in the United States promoting safe and cost-effective construction methods. Members are recognized for their achievements. At the time of this award, Ivorydale had approximately 11.5 million effort hours without a lost-time incident. On May 22, 2002, Ivorydale celebrated the 12 million hours mark. This represents 19 years of continuous work with the current construction contracting organization. It is equivalent to 316 people's working 19 years without a lost-time incident.

HS&E Program Costs

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

- Capital costs for new HS&E equipment
- People and operating costs for existing facilities

Capital costs to ensure compliance at our facilities for 2001-2002 were $34.3 million, slightly less than the previous year. This included the purchase and construction of pollution control equipment such as wastewater pre-treatment systems and air emission controls.

HS&E total costs for operating existing sites in 2001-2002 were $175 million. This is about $5 million less than last year due mainly to efficiencies from fully integrating various HS&E disciplines. Operating cost does not include $19.7 million in revenue gained from recycling.

Sustainability in Action

Sustainability in Action

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. 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. P&G is particularly well positioned to do this because we are in touch daily with the needs of the world's consumers.

Globalization and the Environment – A Perspective from John Pepper
During my career at Procter & Gamble, I have been in very close contact with business, governments, and individuals outside, as well as inside, the United States. I've spent many years of volunteer effort working on behalf of improving education and health care in the United States and abroad.

This experience has helped shape my core beliefs on globalization or, as I define it, "accelerating integration of economies and societies around the world, focusing on people and the environment in which we live."

These convictions start from the belief that the highest right for every person is the right to receive health care and education, and to live in a country which affords him or her the freedom of choice, stability, and a sufficient rule of law to achieve his or her potential.

The deeper understanding and increased relationships among people which integration has produced must be looked to as a key factor in promoting the desperately needed peace in this world.

Businesses such as P&G have both the responsibility and opportunity to make the world a better place even as we grow our business. We must provide products and services of value to people, provide good jobs for employees, and pay taxes for infrastructure, in a way that respects the world in which we live.

We serve consumers and succeed financially through our brands. We've developed products to reduce cavities by more than half, reduce diseases through better hygiene, prevent osteoporosis, and make everyday life easier. We recognize that good basic health care is fundamental to the development of society and individual children. We have established cutting-edge practices in the areas of employee safety and job satisfaction. We've worked with governments to help educate children, a crucial point in development anywhere.

But what has made P&G a place worthy of a lifetime of effort has been what we can do for the people and the communities in which we live. We have a responsibility to use our resources for the long-term benefit of society as well as for P&G.

These convictions are the foundation for what P&G has done in what we call globalization.

Health

P&G Taiwan –
Making Every Woman's Life Better

P&G Taiwan started the Six Minutes Protect A Life cancer prevention campaign in 1995. Campaign results have been outstanding, with 95 percent of target women made aware that early detection of cervical cancer can be achieved by a Pap smear test. In 1997, cervical cancer, which used to be the fifth-leading cause of death among Taiwanese women, dropped to sixth for the first time. Also, the testing rate climbed from a meager 6 percent in 1996 to an impressive 52 percent in 2001.

Recognizing these outstanding achievements, the Department of Health invited P&G Taiwan to assist in promoting breast cancer prevention, based on our successful and sustained contributions in cervical cancer prevention.

The minister and officers of the Taiwan Department of Health, women lawmakers, and independent foundations actively joined P&G Taiwan's 2002 Six Minutes Protect A Life campaign.

P&G Hong Kong Commits
to Lower Cervical Cancer Rates

P&G Hong Kong has partnered with the Hong Kong Cancer Fund since 2001 to promote awareness of cervical cancer – a preventable disease that is the fourth-leading women's cancer in Hong Kong.

This year's program focused on educating women about the value of regular Pap smear screenings and providing incentives to be screened. P&G sponsored the first-ever TV commercial on the subject, released a press announcement, and sponsored a traveling exhibition in Hong Kong. Nearly 2,000 free Pap smears were offered to women. The HK SAR government has supported the program with its pledge to implement a country-wide screening program by the end of 2003.

Representatives from P&G Hong Kong, the Hong Kong Cancer Fund, the Hong Kong government, and the Chinese University of Hong Kong have joined together to break barriers so women will go for Pap smears.

Avanzando Con Tu Familia
(Getting Ahead With Your Family)

Avanzando Con Tu Familia (Getting Ahead With Your Family) is P&G's multicultural program for Hispanic communities in the United States and Puerto Rico. Launched in 1999, the program offers tools and information to help families get ahead by enhancing their quality of life. It encompasses education (formal and vocational), health, home, and traditions.

Through Avanzando, we've formed strong relationships with key Hispanic stakeholders including SER, Jobs for Progress, League of United Latin American Citizens (LULAC), National Council of La Raza (NCLR), and the Hispanic Scholarship Fund.

We have partnered with each of these organizations to bring a number of health and educational programs to the community, including founding two SER/Avanzando Community Learning Centers. We've promoted the power of reading among Hispanic children by expanding LULAC's Young Readers' Program to six new communities. We've joined forces with NCLR to promote awareness of the State Children's Health Insurance Program to reduce the alarming number of Hispanic children without health insurance.

Du Soleil dans les Murs
Du Soleil dans les Murs (Let the Sunshine In) is an innovative cause-related marketing operation aimed at collecting funds for the housing program of the Fondation de France, one of France's leading charity organizations. The Fondation distributes funds among local associations whose mission is to help families in distress improve their living conditions. More than 300,000 French families live in unhealthful homes. More than $500,000 was raised in 2001, benefiting 40 associations involved in housing rehabilitation, do-it-yourself materials renting, and furniture storage programs. Du Soleil dans les Murs was renewed in 2002, with the goal of becoming a long-term program. P&G France employees are personally contributing to its success, be it through extra fund-raising events or through in-store animations increasing consumer participation in the program.

La Liga Contra el Cancer
P&G has had a 15-year relationship with La Liga Contra el Cancer (The League Against Cancer) in Miami, Florida, USA. Through this program, P&G has donated approximately $2.5 million to La Liga. A health van valued at $250,000 was donated to the group in May 2002. Used to educate families about cancer prevention and medical breakthroughs and to share testimonials from cancer survivors, the van will be a "vehicle of hope" in the community.

The Osteoporosis European Tour
P&G's Actonel External Relations team started an exciting project called The Osteoporosis European Tour. The tour kicked off in October 2001 in Rome, Italy, as part of World Osteoporosis Day.

The tour features the OsteoTruck, an impressive mobile diagnosis center providing on-the-spot ultrasound bone measurement testing, information, and referrals to local specialists. P&G Pharmaceuticals and the International Osteoporosis Foundation sponsor the OsteoTruck. The tour includes a photographic display depicting the devastating effects osteoporosis can have on lives.

The Osteoporosis European Tour will visit more than 50 cities across Italy, France, the UK, Hungary, Switzerland, Belgium, Spain, Portugal, and Germany.

Kimchi Festival
(Making Kimchi of Love with P&G)
Making Kimchi of Love with P&G is an annual event to help the less fortunate in Korea and to give foreigners residing in Korea a chance to experience Korean culture while helping the community.

About 100 people from P&G, the U.S. Embassy, the Korean government, the American Chamber of Commerce, international women's associations in Korea, as well as other volunteers participated in the event held October 30, 2001. Kimchi is a traditional Korean dish consumed during the winter season. Participants made kimchi to be donated to about 20 charity centers, orphanages, and homes for elderly people.

City of Hope
In April 2002, P&G participated in the Caminos al Exito (Road to Success) event sponsored by the City of Hope Food Circle Industry, composed of Southern California food retailers. City of Hope is a non-profit organization dedicated to research and treatment of cancer and other life-threatening diseases. Caminos al Exito was focused on the Hispanic population. P&G worked with City of Hope Food Circle Industry members to create two days of in-store activities that brought in donations. The expo offered messages on education, health, and financial topics, as well as samples of P&G products. P&G sponsored the Mujeres de la Esperanza (Women of Hope) Awards Banquet on the eve of the expo to recognize several prominent Hispanic women and cancer survivors.

Children's Health

Hygiene-educ.com
Hygiene-educ.com is a P&G education site jointly developed with France's Institut Pasteur to promote hygiene education among children and generate interest in better hygiene.

The Web-based program aims to:
- Educate children between 5 and 10 years old to become "hygiene ambassadors" and educate their parents about good hygiene practices
- Raise the awareness of children and their parents about invisible germs they come into contact with every day

Teachers select course level (basic, medium, or reinforced), and the information is presented through exercises and practical demonstrations. In addition to teaching materials, the site also includes three interactive games to present hygiene in an appealing and fun way for children.

Hygiene-educ.com is currently online in French and English and will soon be available in Spanish, German, and Italian.

on the Web http://www.hygiene-educ.com

The Pampers Institute
The Pampers Institute is an international network of child care experts committed to understanding babies' development and health. The Pampers Institute was launched in the United States in the fall of 1996, followed recently by Western Europe and Japan.

Pampers.com, the online home of the Pampers Institute, was launched simultaneously to provide insights and information to parents. Pampers.com offers information on all aspects of baby care. It includes news and parents' experiences. By linking parents to a global network of pediatricians and child development experts, Pampers is working to build stronger families.

The global Pampers Institute covers many areas of children's health and development, such as dermatology, psychology, nutrition, and mobility. The Pampers experts have worked in maternal and pediatric health care and advocacy roles and are affiliated with key maternal/child health organizations in their respective countries.

on the Web http://www.pampers.com/

Babies First
Babies First, a unique partnership among P&G's Pampers Parenting Institute, Wal-Mart, and the American Academy of Pediatrics, was created in 2000 to educate parents and caregivers about children's health and safety needs.

The Babies First October 2001 campaign informed parents about the importance of early childhood immunizations. Brochures on the theme "Immunize – Your Baby's Worth It" were prominently displayed in Infant & Toddler departments at Wal-Mart stores in 11 countries. As part of this campaign, the partnership provided complimentary Child Health Record booklets for parents to record their children's illnesses, doctor's visits, and immunization records.

In March 2002, the focus of the Babies First event was on the importance of communication. The "Take Time to Talk" message was delivered through several brochures offered to shoppers in Wal-Mart stores and addressed by celebrity spokespeople in more than 20 U.S. television markets.

It is estimated that Wal-Mart weekly attracts nearly 10 million parents who have children under age 3. The Babies First partnership provides an opportunity to reach out to Wal-Mart shoppers to deliver an educational service on children's health and safety concerns.

Pampers Educates Parents on Children's Hip Joint Development

Many people in the Czech Republic believe that cloth diapers are the only type to use to ensure healthy development of the hip joint. However, normally developed babies can safely use disposables. Further, cloth diapers increase the workload for parents and are often less comfortable for babies.

In May and June 2002, two state television stations presented an educational health series on orthopedics aimed at improving the quality of life for parents and their children. The Pampers brand promoted one part of this series. It covered child orthopedics, specifically the hip joint. Dr. P. Dungl, a child orthopedics expert who is the chief physician of the Orthopedic Clinic of the Institute of Postgraduate Medical Education and the First Medical Faculty of the Charles University, presented information.

Feed Children for Better Education – P&G Thailand

Four million needy schoolchildren across Thailand eat insufficient lunches, resulting in lower learning abilities. Feed Children for Better Education, a three-year program led by P&G and the Ministry of Education, was established to provide funds for schools to purchase materials to grow their own food. Children with proper food will have greater learning capabilities and a better quality of life.

P&G donated 1 percent of sales volume during a two-month period. With donations totaling more than $1.5 million, help can be given to more than 2,200 schools, or 530,000 needy children.

Menarche Education Program for Elementary School Students in Japan

Through P&G's Menarche Education Kit, more than 370,000 5th-grade girls in registered schools in Japan received book bags containing samples of Whisper, as well as educational booklets for themselves and their parents. A Book for Girls helps elementary school girls understand the physical changes their bodies will be undergoing and improves their self-esteem. A Booklet for Parents helps parents to understand and prepare their children as they enter puberty.

Learn to Change the World

The P&G civics education program Learn to Change the World was created in 2002 by P&G Romania. Targeted to children ages 13 and 14, the program's objective is to educate children to become good citizens with positive attitudes about caring and community involvement.

The program introduces concepts related to civics education through class discussions. P&G employees volunteer as mentors to help children identify and develop projects with high impact in the community. With P&G's financial support, they implement those projects. Examples of projects this year are Sunday classes organized by teens for younger children in the neighborhood; Parents' School, classes for parents on how to communicate with their children; and refurbishment of neighborhood playgrounds.

Învață să schimbi lumea!

P&G's Child and Health Award

In 2002, P&G Greece established an annual grant of nearly $22,000 called the Child & Health Award. The Award's goal is to support young pediatricians who wish to pursue original scientific research in the field of pediatrics in Greece. Members of an independent committee of pediatric university deans rate candidates' research proposals individually.

The Child & Health Award complements two similar awards previously established by P&G Greece in the fields of dentistry and gynecology.

The P&G team presented the Child & Health Award to Dr. A. Zellou and Dr. A. Kotawis.

Give Kids the World – Making Dreams Come True

Imagine a place where all your meals are served in a gingerbread house, where a rabbit named Clayton is mayor, where you eat ice cream anytime you want, and where Christmas is celebrated every Thursday.

Sounds too good to be true? For children with life-threatening illnesses, Give Kids the World is just this place.

A 51-acre non-profit resort near Florida's Walt Disney World, Give Kids the World provides dream vacations for terminally ill children and their families. Families receive private accommodations in the "village" and receive the "royal treatment," which includes the thrill of visiting Walt Disney World, Universal Studios, and Sea World.

Since 1986, Give Kids the World has made more than 50,000 wishes come true. P&G's corporate program has donated products to the village, in addition to $1 million in proceeds from product purchases and retailers' matching funds. Tide has raised $1 million through its NASCAR race car sponsorship. These fund-raising efforts allow the village to operate year-round to host families free of charge.

Give Kids the World winner Vanessa Alvarez poses with Tide's Winston Cup driver Ricky Craven in front of the Tide racing car.

Hope for the Flowers

Every spring, P&G Korea has an annual charity campaign, Hope for the Flowers. The campaign helps children suffering from cancer.

In addition to donating $77,000 in medical support, P&G held a blood donation event for P&G employees and consumers. Donation certificates collected throughout the campaign were delivered to children suffering from cancer. Certificates were used to buy proper medication at an affordable cost.

Forty elementary school children participated by baking cookies with their parents. Cookies, filled with the bakers' good wishes, were delivered to hospitalized children.

A Helping Hand to Grow

Un Aiuto per Crescere – A Helping Hand to Grow – is the new Missione Bontà initiative for children in difficult conditions in Italy. The program is promoted by Dash, the leading P&G laundry detergent in Italy.

Dash has funded at least 30 projects proposed by volunteer organizations and evaluated by a commission of experts chaired by the director general of UNICEF Italia.

After the success of previous Missione Bontà initiatives, this new campaign reaffirms Dash's social commitment. It offers sound economic support to volunteer organizations working for underprivileged children. Un Aiuto per Crescere aims to support those organizations that guarantee a network of solidarity each day throughout Italy. All children, and particularly those who are less privileged, need our attention, trust, and encouragement – precisely what Un Aiuto per Crescere is designed to provide.

In June 2002, Dash's Missione Bontà received an important ethics award for its commitment to helping local communities and future generations. The award, presented by one of the leading trade publications in Italy (*GDO Week*), recognizes corporate sustainable development programs in Italy and abroad.

UNICEF and P&G

Give Kids a Fresh and Caring Start – P&G and the U.S. Fund for UNICEF

P&G and the U.S. Fund for UNICEF are making a difference in the lives of children around the world. Through the Give Kids a Fresh and Caring Start initiative, Americans are invited to purchase any Dawn or Downy product during September and October, with a portion of sales – up to $300,000 – benefiting children around the world.

P&G will also work with the U.S. Fund for UNICEF through a $200,000 grant to support Trick-or-Treat for UNICEF's educational curriculum, which encourages young Americans to learn about concepts that affect children around the world. In all, P&G's participation in this year's Trick-or-Treat for UNICEF campaign represents a significant increase from the previous two years, helping UNICEF and its partner organizations make significant strides toward improving the lives of children around the world through health, education, nutrition, protection, and emergency relief programs.

In 2001, Dawn's Clean Up for Kids campaign donated $550,000 to the U.S. Fund for UNICEF, helping to immunize 1.1 million children against polio.

P&G and UNICEF Together Support Children of Pakistan and Afghanistan

In March 2002, P&G donated $100,000 to UNICEF Pakistan. The funds will be used to operate various social development and educational programs. These programs improve the lives of Pakistani children and Afghan refugee children by reducing common diseases through heightened awareness of good hygiene habits.

Also, in January 2002, P&G launched its first-ever E-philanthropy campaign. A secure Web site allows P&G employees to make personal donations to help UNICEF's worldwide efforts. By visiting the Web page, P&G employees learn about P&G's partnership with UNICEF, gain knowledge of UNICEF's worldwide operations, and make contributions.

Alliances

Safeguard Partners With the CDC to Fight Disease In Haiti and Pakistan

Improving the health of people in developing countries has long been recognized as an important component of sustainable development. Better hygiene contributes to better growth, better learning, and ultimately, to better economic development. Safeguard antibacterial soap partnered with the U.S. Centers for Disease Control & Prevention in Pakistan and Haiti to clinically document the benefits of good hygiene in helping to reduce the incidence and/or severity of several diseases, such as impetigo and filariasis, common in hot, humid environments. Results of these studies have shown the health benefits of daily bathing with an antibacterial soap such as Safeguard.

Safeguard Antibacterial

P&G Pharmaceuticals Teams Up with GMP to Study Novel Diabetes Treatment

In April 2002, P&G Pharmaceuticals entered into a $24 million alliance with GMP Companies Inc., located in Florida, USA.

P&G and GMP will collaborate on research of a therapy called Ingap Peptide. Ingap Peptide has the potential to encourage production of insulin by the pancreas. Insulin is crucial to maintaining blood glucose levels. It is hoped that the therapy will treat the underlying cause of diabetes mellitus, a chronic life-threatening disease for which there is currently no cure. The successful development and commercialization of the drug would greatly improve the lives of patients currently requiring insulin injections.

P&G and the Syrian Minister of Health Improve Lives of Mothers and Children

In July 2001, P&G signed a cooperation agreement with the Syrian Minister of Health to improve services provided for mothers and children at five main health centers in Damascus. P&G will participate in medical staff training (midwives and nurses), as well as provide education for mothers of young children. TV campaigns sponsored by the Minister of Health and Pampers will provide education on baby care and health-related issues.

Plans are in place to expand the program to other health centers and hospitals. Through this program and with P&G's donation of equipment to maternity wards in public hospitals in Syria, mothers and children will receive better health care.

Community Support

P&G Employees Around the World Volunteer for Habitat for Humanity

Habitat for Humanity International is a non-profit organization dedicated to providing simple, decent, affordable homes for people who otherwise could not fulfill their dream of home ownership. Habitat homes are being built in many countries where P&G people live and work. P&G people around the world have contributed their time, effort, and skills to help make home ownership a reality for low-income families.

on the Web

To learn more about Habitat for Humanity, please visit: http://www.habitat.org/

Jimmy Carter Work Project 2001

The Jimmy Carter Work Project is one of Habitat for Humanity's largest annual projects dedicated to eliminating substandard housing and homelessness from the world. In August 2001, the Project took place in four Korean locations simultaneously. Through the efforts of 9,000 volunteers, including former U.S. President Jimmy Carter, 120 homes were built.

P&G Korea donated $27,000. Forty employees volunteered for the Women's Build, where women accomplished all building processes.

P&G Volunteers Build Home in Poland

Volunteers from P&G Brussels Fabric & Home Care spent a week in Poland building Habitat homes. Building affordable housing for low-income families provides more than a house. It provides a home where families can enjoy modern conveniences such as running water, a healthy living environment, and separate rooms for separate activities – conveniences often taken for granted by others.

U.S. Family Care Helps Build Home for Single Mother and Four Children

Elaine is a single mother of four children. On September 15, 2001, a team of Habitat for Humanity volunteers from U.S. Family & Home Care broke ground for her new home. The volunteers included P&G employees and their families and friends. Working 40 shifts of four hours each, they completed the house in December, using a Family & Home Care grant of $53,000 to help pay for building materials.

P&G Philippines Group Builds Five Houses

The Charity Fund of Employees of Procter & Gamble Philippines Inc. is a non-profit association dedicated to the social, economic, health, and environmental well-being of the needy.

In 2001, the Charity Fund combined employee contributions with a matching donation from the Company to make a gift to Habitat for Humanity. Additionally, employee volunteers built five houses.

Disaster Relief

Earthquake Survivors Rebuild Their Lives, Thanks to P&G Employees Worldwide

In January 2001, the Kutch district of western India suffered the world's worst earthquake. Thirteen thousand people died, and hundreds of thousands were left homeless. The situation was worse for people living in hamlets. The government cannot get aid quickly to these remote places, unreachable by roads and not connected to electricity.

P&G collected more than $90,000 from employees in India and around the world. These funds were deployed in conjunction with the NGOs Swayam Shikshan Prayog and Samerth. Rather than donate the money to short-term assistance, P&G based the relief project on developing women's groups for long-term sustainable development in communities in the Kutch district.

P&G brought in experienced people to help the women build earthquake-resistant homes. Four community centers for women were built in the hamlets, providing infrastructure for primary schools, health centers, and women's micro-credit savings groups that fund entrepreneurial opportunities. One year after the earthquake, the new homes, the savings groups, and schools in the community centers have given the women in Kutch a reason to stay in their hamlets and not leave in search of new shelter and occupations.

The director of Swayam Shikshan Prayog says, "Unlike other donors, P&G has uniquely contributed by building community assets, which will ensure long-term development of the affected communities. It is due to P&G's genuine ownership, commitment, and follow-up that the Community Resource Centers have been built at a fast pace."

Gira Concert Series

Explosión Musical was a summer concert series held in key Hispanic markets in the United States. P&G brands Pantene, Secret, Sunny Delight, Head & Shoulders, Pringles, Always, Physique, Zest, and Crest communicated with Hispanic teenagers through music to encourage them to remain in school.

The program included six concerts with the hottest Latin American performers, an online campaign, in-store promotions, and a motivational school program, METAS, with the theme "By taking small steps, you'll reach great goals." The METAS program has reached more than 200,000 Hispanic students in 128 schools across the United States.

After the tragic events of Sept. 11, 2001, P&G changed the name of the concerts to Gira Musical (Musical Outings). The New York/New Jersey-area concert became a benefit called America Unida (One America). The Gira Musical team partnered with Telemundo television, local Hispanic radio stations, and Six Flags Great Adventure amusement park to hold a forum to help Hispanic teenagers express their feelings in a positive manner. Concertgoers signed a mural dedicated to Sept. 11 victims. All donations collected went to the American Red Cross.

on the Web

For more information, please visit:
http://espanol.yahoo.com/docs/promo/giramusical/

The Power of P&G People

P&G and its employees around the world responded quickly to help survivors and victims' families after the tragic September 11 terrorist attacks on New York's World Trade Center and the U.S. Pentagon in Washington, D.C. Here are just a few examples of the ways employees helped victims and each other through this horrific event:

P&G contributed $2 million to the United Way's September 11 Fund. Other donations included $250,000 to the American Red Cross, P&G products valued at $1.45 million (Vick's VapoRub, ThermaCare, Bounty, etc.) for relief workers, more than $10,000 worth of Eukanuba dog and cat food to feed search-and-rescue dogs as well as pets left stranded by the disaster, and respirators, gloves, masks, filters, and batteries. Portable brewing stations serving Millstone coffee were set up for relief workers.

Employees at the Green Bay, Wisconsin, plant donated 111 pints of blood in a single day. Cincinnati's Winton Hill Technical Center donated $1,130 to the Clear Channel Relief Fund to assist police and firefighters in New York City and Washington, D.C. Employees throughout Cincinnati donated $20,500 to the American Red Cross, United Way, and other relief funds.

Several technicians at the Sunny Delight plant in South Brunswick, New Jersey – who also provide volunteer emergency services and heavy rescue operations within their local communities – were on stand-by following the attacks on the World Trade Center. Though they saw limited service because of the large number of relief workers already at the disaster site, their units remained available should the New York Office of Emergency Management require their services in the days ahead.

More than 2,000 gift bundles filled with Dawn, Mr. Clean, Febreze, and Bounty were distributed through the Saatchi & Saatchi advertising agency to people who needed them most.

The Sunny Delight/Wal-Mart Strongest Kid in America contest finals were scheduled in New York City when the disaster happened. Priorities immediately shifted. Employees of P&G and Thompson Murray, the advertising agency, worked to calm families, arrange meals, secure transportation, and locate needed medications.

P&G's Travel Services personnel implemented a 24-hour support line for the more than 300 P&G employees stranded worldwide after the attacks. Critical information was supplied to travel agencies and employees to assist with getting these employees back home. Within a few hours of the attacks, our U.S. Consumer Relations organization set up emergency phone lines for use by P&Gers and their families who had concerns about employees in transit to or within the United States. Human Resources worked to locate employees and reconnect families.

P&G

2002 Sustainability Report

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The report team thanks all the individuals throughout the world who contributed information, stories, and data to this report. A special thanks goes to Keith Zook for his valuable time, perspective, and advice.

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