P&G

2000 SUSTAINABILITY REPORT

Statement of Purpose

We will provide products and services of superior quality and value that improve the lives of the world's consumers. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders, and the communities in which we live and work to prosper.

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

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

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

FRONT COVER: *In the Philippines, P&G and UNICEF collaborated with local government units to build community water facilities in 10 areas over a period of three years. The water facilities include showers, toilets, laundry areas and public wells.*

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References to trademarked products in this report are to trademarks owned by and registered to The Procter & Gamble Company.

CEO and Chairman's Statement

Just over a year ago, P&G shifted from a narrow focus on environmental quality to the more holistic concept of sustainable development – the integration of environment, social equity and economic development. We see sustainable development, or sustainability, as closely aligned with our Company's Statement of Purpose, to "...provide products and services of superior quality and value that improve the lives of the world's consumers."

With a year's experience now behind us, we remain firmly committed to that opportunity to improve lives now and in the future.

While we are still learning how sustainability becomes integral to our business, this past year has seen several meaningful milestones on this journey, both in our products and in our policies and management systems.

Last fall, we market tested a new drink product that was developed jointly with UNICEF. It has the potential to significantly address the problem of micronutrient deficiency, which results in blindness for 2.8 million children, a 10 to 15 percent decrease in IQ, birth defects, stillbirths, congenital deafness, and increased risk of both maternal and fetal morbidity and mortality. We will continue to learn how to best bring innovations such as this to market this fiscal year.

A new product with the potential to significantly reduce food-borne disease and contamination is Fit, a fruit and vegetable rinse that removes 98 percent more residue and wax than just water. In 1999, we saw acquisition of the PuR water filtration business, which holds great potential for the availability worldwide of clean drinking water. In 2000, we received regulatory approval in both Europe and the United States for Actonel, a prescription drug for the treatment and prevention of postmenopausal osteoporosis.

This past year, we completed a major review of our corporate policies and have taken several steps to assure our policies are totally aligned with our core values. These policies are published in a booklet, *P&G - Our Values and Code of Conduct,* that is available on our web site (www.pg.com). In 1999, we were among the first supporters of the Global Sullivan Principles on corporate social responsibility. We are committed to their success in creating a better quality of life for the world's citizens.

Fiscal 1999/2000 was a difficult year for the Company and for our many employees around the world. Earnings came in below the goals we had originally established and believed we could achieve, and our stock suffered. In our drive to meet changes in the marketplace – globalization, the Internet, consolidation among retailers – we tried to do too much too fast. We now have a strong plan to re-establish the balance between top-line revenue growth and bottom-line earnings growth.

We are confident about P&G's future because the underlying strength of our Company remains solid.

- We have a long history of "doing what is right." In March 2000, Business Ethics magazine ranked P&G among the top five in its 100 Best Corporate Citizens list.
- Our top brands command more than a fourth of their markets; we have global leadership in seven product categories; and we have a steady stream of new innovations to build our future.
- P&G people have a passion for winning and leading innovation, and that passion is our greatest strength.

We look forward to the future – for the world's consumers, for our employees and retirees, and for the communities in which we live and work.

A. G. Lafley
President and Chief Executive

John E. Pepper
Chairman of the Board

Vision

Sustainability… It's Both WHAT We Do and HOW We Do It

When the concept of sustainable development was first unveiled in 1987, it was a radical idea – that environment and development are synergistic to each other, creating the wealth necessary to address social equity issues of poverty and disease that plagued, and still plague, much of the developing world.

Since then, sustainable development has dominated global public policy discussions, but the discussions have been dominated by **HOW** things are done – environmental management systems, ISO 14001, codes of conduct and stewardship, Total Quality, waste elimination, transparency and reporting, audits and verifications. Further, the focus on **HOW** we do things has limited the economic benefit discussion for business to a bottom-line issue – cost avoidance and reduction.

HOW we do our business is, and always will be, important to us. P&G has always conducted its business with integrity. We have long been leaders in employee benefits, workplace safety, environmental management of our operations, ethical business practices and involvement in our communities. Designing waste out of our products and processes has saved us more than $505 million in the past six years.

As we explore the role of sustainability in P&G's future top line, we are also furthering our focus on **WHAT** we do – our products, services and the way we bring them to market. This ensures we address consumer needs and aspirations in more innovative ways, developing entirely new products and services, selling to new consumers, and creating new markets.

We are focusing on several initial steps:

- Embracing a more aspirational definition of sustainability to stimulate innovation. Sustainability "is about ensuring a better quality of life for everyone, now and for generations to come."
- Focusing sustainability-driven innovation on the two areas where P&G can contribute most to improving quality of life – Water and Health & Hygiene.
- Understanding the opportunities and the challenges in bringing to market innovations that address environmental and social issues.

Despite the long lead time from idea to market introduction, we have been able to obtain some early experience in bringing such innovations to market. We did this by leveraging innovations already in our product pipeline when we embarked on a sustainability strategy just a year ago. A. G. Lafley and John Pepper discuss several of these early innovations – Nutri Delight for micronutrient deficiency, Fit for cleaning fruits and vegetables, and Actonel for postmenopausal osteoporosis.

We are not saying we have sustainability figured out. We do not! Unfortunately, there are painfully few examples of companies successfully building their future on the concept of sustainability. There are at least as many failures as there are successes. We are exploring new, uncharted territory and learning as we go. We remain committed to the belief that through our innovation and deep understanding of consumers' needs and aspirations, we can help create "a better quality of life" for everyone, both today and for future generations.

George D. Carpenter
Director, Corporate Sustainable Development

A Business Perspective on Sustainability

NOTE: Paul Polman is President, Global Fabric Care. Last year, he took the lead in developing a sustainability business model for our Fabric & Home Care business that could serve as a model for our other businesses.

As a business manager with no experience directly managing environmental or social issues, I approach the subject of sustainability based on a career in finance, marketing and business management. My experience over the past year of integrating sustainable development into a business has been one of tremendous insight and learning, tempered by a solid dose of reality.

Despite the numerous challenges, there have also been rewards in the learning and insight that sustainability brings – linking sustainability directly to our Purpose, focusing the definition in an actionable business-relevant way, providing business tools to help people apply sustainability, and celebrating successes. Analogous to Total Quality, which caused us to look at quality and customer satisfaction in an entirely new paradigm of what is possible, sustainable development creates new insight into consumers' needs – looking at the world through their eyes, their frustrations with day-to-day life, and their aspirations for a better world in the future.

Today, there are multiple priorities competing for businesspeople's attention. It is difficult to focus on a new concept when that concept does not have a clear definition or success models linked to business growth. Therefore, one of my biggest challenges has been to make sustainability relevant to business in a way that my fellow P&G business leaders will understand. Here is how we addressed that challenge:

Sustainable Development is a difficult concept for many consumers and business leaders to understand, especially in practical terms. The level of understanding also varies widely around the world. To motivate our people, we embraced an inspirational definition of sustainability, closely tied to our Company's Statement of Purpose, that speaks to "an improved quality of life for everyone, now and for generations to come." Then, we developed a screening tool for new products that helps identify potential environmental, economic development and social issues and opportunities associated with that product concept.

Because sustainability can mean all things to all people, each person brings a different perspective to the concept and often deals with that unique view as the most important element of sustainability. Thus, it is a challenge to bring focus when the term can mean so many different things. To address this, we chose to search for opportunities in those areas of sustainable development that are most closely linked to our businesses and where we can contribute most to improving quality of life – Water and Health & Hygiene.

Because many perceive sustainability to be synonymous with the environment and with the generally negative historical consumer reaction to green marketing and environmentally beneficial innovations, this leads many people to discount the opportunities. Therefore, at P&G we began by distinguishing sustainability from just environment. We made a point to talk about the opportunities of sustainability in the context of social equity issues – poverty, disease, nutrition, the quality of women's lives.

Because the path from idea to market is a long one, the past year has resulted in only a few of our innovations that address Water and Health & Hygiene issues reaching the market. However, our new sustainability mindset has resulted in more robust business plans and exciting new opportunities.

For example, worldwide more than one billion consumers do not have access to safe drinking water; two to three billion consumers live in water-constrained households; three billion do not have access to adequate sanitation; more than three million children die from water-related diseases each year. All of these are opportunities to address real consumer issues and concerns. By leveraging our core competencies in water, we can make a real difference in consumers' lives while building our business.

I look forward to sharing our sustainability successes with you in the years ahead.

Paul Polman
President, Global Fabric Care

Editor's Notes

In this, P&G's second sustainability report, you will see some of the new developments we are making in the disclosure and transparency of corporate information. We have again chosen to work within the Global Reporting Initiative (GRI), *Sustainability Reporting Guidelines on Economic, Environmental and Social Performance,* June 2000.

Since the first exposure draft of the GRI sustainability reporting guidelines were released in March, 1999, a number of pilot testing companies, including P&G, have been working closely with members of the GRI steering committee and other stakeholders to implement these guidelines into published corporate sustainability reports.

We published our first sustainability report last year based on the March, 1999 guidance. This year you will notice some changes in the structure and format of our report. These changes are the result of a comprehensive review program co-ordinated by the GRI. Feedback on the learnings from pilot testing companies and report users as well as other stakeholders have been incorporated into a new, revised guidance document. We prepared the P&G 2000 Sustainability Report consistent with these guidelines.

We have also been in dialogue with a number of other stakeholders discussing our 1999 sustainability report and P&G's sustainability policies. We have gathered a considerable amount of feedback — some praise and some constructive criticism. Wherever possible, we have tried to take this into account in the production of this year's report. For example, we received a number of comments that last year's report was "too American" for a global report, so we have started to move the editorial seat around. This year it is based in the U.K. We are continuing to focus on Water and Health & Hygiene.

Since the production of last year's report, we hope that we have learned a lot from our stakeholders, but this is only the beginning. We have a great deal more to find out about how a company like P&G can truly become a sustainable corporation. In this report we will chart some of our progress to date and present some of the learnings we have made, in what has been a difficult year for P&G.

We have taken part in these discussions to gain feedback for P&G's future sustainability efforts. Sustainability is still an evolving concept, and there are many views on what really is sustainable development. We are trying to define what sustainability means for P&G, and we are still learning. If you have any questions, comments or general observations to make about this report, please contact me personally at:

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P&G's 1999 Sustainability Report can be found at: *www.pg.com/99sr*

2000 SUSTAINABILITY REPORT

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

Executive Summary

Key Sustainability Focus Areas

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

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

Major Impacts Associated with Products

Environment

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

Social Equity

- Health
- Hygiene
- Education

Economic Development

- Shareholder Value
- Employment
- Taxes, Fees and Contributions

Financial Highlights

(Millions of dollars except per-share amounts)

	1999/2000	1998/99	1997/98
Net Sales	$39,951	$38,125	$37,154
Marketing, Research & Administrative Expenses	$12,483	$10,845	$10,203
Income Taxes	$1,994	$2,075	$1,928
Net Earnings	$3,542	$3,763	$3,780
Basic Net Earnings Per Common Share	$2.61	$2.75	$2.74
Total Assets	$34,194	$32,113	$30,966
Long-Term Debt	$8,916	$6,231	$5,765
Shareholders' Equity	$12,287	$12,058	$12,236

Philanthropic Contributions

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

	1999/2000	1998/99	1997/98
Total	$28,292,768	$27,585,008	$26,614,350

This year's total contribution reflects a 2.6 percent increase in spending vs. the 1998/1999 level. In addition, with the implementation of the Company's Organization 2005 initiative, we did not compile global contributions data.

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

Diversity Data — Global Enrollment

P&G expects its workforce to become increasingly more diverse. This is a global policy, and programs are in place for continuous improvement in all regions. Global reporting of enrollment by gender is shown in the following table:

Global Enrollment 1999/2000

%Male	%Female
59	41

This global data does not yet include plant technicians in the United States, United Kingdom and Latin America; more complete data is expected to be available early next year. Global data is being developed in a new system consistent with the Company's Organization 2005. Thus, historic global data is not available for comparison. The percentages of minority and female employees in the United States are shown in the following table:

	% Minorities			% Female		
	1999/00	1998/99	1997/98	1999/00	1998/99	1997/98
Management	15.9	15.8	15.6	33.7	33.1	32.5
All Other Employees (Administrative, Technical and Plant Technicians)	18.8	18.5	19.2	39.7	39.9	39.5

Manufacturing Waste & Cost Summary

All waste units are in thousands of metric tons unless otherwise noted. 1 ton = 1,000 kg = 2,205 lbs.

Measure	Total			1999/2000 Global Business Unit Details						
Production	1999/2000	1998/99	1997/98	BBC	BC	FHC	FC	FB	HC	TT
Packaged Product Shipped	15,229	14,644	14,436	1,281	1,165	6,914	639	2,656	789	1,782
Raw Materials from Recycled Sources	476	380	400	0	0	0	0	0	0	476
Packaging Used	1293	1,375	1,367	70	122	585	57	288	99	72
Packaging Material from Recycled Sources	444	490	455	27	25	242	19	81	22	28
Waste										
Generated Waste	879	863	893	146	59	146	67	136	29	296
Percent Recycled/Reused Waste	55%	56%	53%	67%	50%	61%	79%	60%	37%	40%
Disposed Waste										
Solid Waste — Non-Hazardous	317	271	324	45	20	37	13	30	10	162
Solid Waste — Hazardous	12	27	12	0.3	3	7	0.7	0.01	0.7	0.6
Effluents (Excluding Water)	39	31	37	1	3	7	0.1	18	5	5
Air Emissions	19	20	20	1	0.9	3	0.1	5	1	7
Other										
Energy Consumption (10^5 GJ)	1,080	967	947	90	38	281	35	107	30	499
Water Consumption (MM cubic meters)	87.0	83.4	ND	7.1	3.7	14.1	0.4	10.7	2.1	48.8
SARA Releases (1,000 tons)*	1.9	1.6	1.9	0	0.01	1.5	0	0.1	0.04	0.2

* Releases defined in the U.S. Superfund Amendments and Reauthorization Act by the U.S. Environmental Protection Agency.

NOTE: BBC - Baby Care; BC - Beauty Care; FHC - Fabric & Home Care; FC - Feminine Care; FB - Food & Beverage; HC - Health Care; TT - Tissues & Towel

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)

1999/2000	1998/99	1997/98
0.8	0.7	0.8

Total Lost Workday Case Rate

(lost & restricted workday cases per 100 employees)

1999/2000	1998/99	1997/98
0.4	0.3	0.4

Summary of Violations and Interventions

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

	1999/2000	1998/99	1997/98
Number	48	46	54
Fines	$13,400	$33,250	$73,100

Profile of P&G

P&G markets approximately 300 brands of consumer products to nearly 5 billion consumers in more than 140 countries. The products include laundry detergents, toothpastes, shampoos, feminine hygiene products, pharmaceuticals, snacks, diapers, cosmetics and cold remedies. These products are best known by their brand names: Tide, Ariel, Crest, Pantene Pro-V, Always, Whisper, Didronel, Pringles, Pampers, Olay and Vicks.

P&G's worldwide headquarters is located in Cincinnati, Ohio, USA. The Company has on-the-ground operations in more than 70 countries and employs 110,000 people worldwide.

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

As of July 21, 2000, there were 291,965 Common Stock shareholders of record, including participants in the Shareholder Investment Program. Five billion shares of Common Stock have been authorized. About 1.31 billion shares were outstanding as of June 30, 2000.

This is the second Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 1999, through June 30, 2000. Financial information is given in U.S. dollars.

For more information on P&G's geographical operations, please visit our web site at:
www.pg.com/about/news/world.htm
For more information on P&G's investor information, please visit our web site at:
www.pg.com/investor
For more information on P&G's products, please visit our web site at:
www.pg.com/cgi-bin/cgiAbout/products.cgi?about

Key Brands

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

Feminine Care
ALWAYS
LINES
TAMPAX
WHISPER

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

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

Baby Care
BABYSAN
DODOT
LUVS
PAMPERS
PAMPERS BABY WIPES

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

Tissues & Towel
BOUNTY
CHARMIN
PUFFS
TEMPO

Building for the Future

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

1837

1850

$1 Million Net Sales 1859

1860

Regional U.S. Markets

1870

Financial Information

The Company reported net earnings of $3.54 billion, or $2.61 per common share, for the fiscal year ended June 30, 2000. Results included a charge of $688 million after-tax related to its Organization 2005 program.

Core net earnings for the fiscal year increased to $4.23 billion, excluding the Organization 2005 costs. Core net earnings per share were $2.95, an increase of 4 percent from the previous year. Fiscal year earnings grew due to volume and sales progress partially offset by higher spending behind new initiatives. Net sales grew to $39.95 billion. Excluding a negative 2-percent exchange rate impact, net sales increased 7 percent on 4-percent unit volume growth.

Common share dividends were $1.28 per share in 2000. For the coming year, the annual dividend rate will increase to $1.40 per common share, marking the 45th consecutive year of increased common share dividend payments.

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Long-Term Debt	$8,916	$6,231	$5,765
Shareholders' Equity	$12,287	$12,058	$12,236

As part of P&G's Organization 2005 initiative to optimize resources to fit a growing global business and to accelerate innovation and growth, the Company began operating its business through Global Business Units (GBUs), effective July 1, 1999.

- *Fabric & Home Care*
- *Baby Care*
- *Feminine Care*
- *Tissues & Towel*

} *PaperGroup*

- *Health Care*
- *Beauty Care*
- *Food & Beverage*

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

	1999/2000	1998/99	1997/98
Fabric & Home Care	$12,157	$11,415	$11,019
Paper *(Baby Care, Feminine Care, Tissues & Towel)*	$12,044	$12,190	$11,685
Health Care	$3,909	$2,876	$2,889
Beauty Care	$7,389	$7,376	$7,469
Food & Beverage	$4,634	$4,655	$4,620
Corporate	$(182)	$(387)	$(528)
Total	$39,951	$38,125	$37,154

Major Acquisitions

Acquisitions accounted for as purchases in 1999/2000 totaled $2,967 million. Including:

P&G acquired Iams in September 1999.

Iams joined P&G's Health Care and Corporate New Ventures global business unit.

Animal nutritionist Paul Iams founded The Iams Company in 1946 in a small feed mill near Dayton, Ohio. Clay Mathile joined Iams in 1970 and purchased the company in 1982. Paul Iams established the company's nutritional foundation, and Clay Mathile provided the vision to enable The Iams Company to become a world leader in dog and cat nutrition.

The Iams Company sells Eukanuba® and Iams® premium dog and cat foods (dry and canned) in 77 countries. Iams employs more than 2,000 people and has annual sales in excess of $800 million. Iams is the leader in the premium pet food segment in the United States.

Iams makes dry dog and cat food at plants in Lewisburg, Ohio; Aurora, Neb.; Henderson, N.C.; Leipsic, Ohio, in the USA and Coevoorden in the Netherlands. The Iams Heartland plant in North Sioux City, S.D., USA, makes canned dog and cat food.

For more information on Iams®, please visit our web site at : *www.iams.com*

P&G acquired Recovery Engineering, Inc. in September 1999.

In September 1999, P&G completed a tender offer in which it purchased 97.7% of the outstanding shares of common stock of Recovery Engineering, Inc. (REI). REI designs, manufactures and markets drinking water purification systems under the PuR® name. P&G will manage PuR® as part of its Health Care and Corporate New Ventures global business unit.

Since introduced in 1986, PuR has been a leader in tackling some of the world's most difficult drinking water problems. REI's invention of the world's first, and still only, hand-operated desalinator has allowed users to turn seawater into fresh drinking water instantly.

Today our researchers and engineers are busy developing products that will conveniently and affordably improve the quality of our most important resource, water.

For more information on PuR®, please visit our web site at : *www.purwater.com*

Major Divestitures

Divestitures accounted for as sales in 1999/2000 totaled $419 million. Including:

- Demak Up
- Chloroseptic
- Attends
- Coast

External Recognition

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

Corporate Awards

- World's Most Admired Soap & Cosmetic Company, Fortune magazine, 2000.
- Marketer of the Century, Advertising Age, 2000.
- Best Partner presented by Russian Association of Regional TV, 2000.
- Most Respected Company in Czech Republic in the chemical, pharmaceutical and rubber industry based on the company itself, the people within the company and the company's connections to society, 1999.

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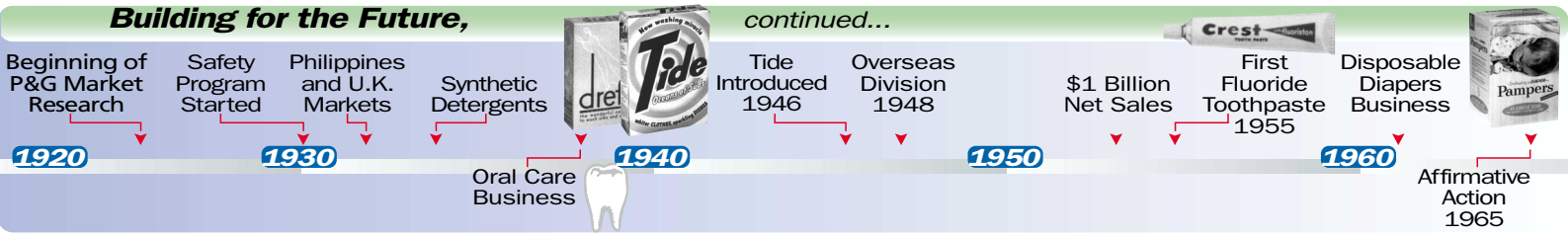

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- Philos Award 'Philanthropist of the Year' presented to P&G by the National Awards and Recognitions Committee of the American Red Cross, 2000.
- Three products have been awarded People's Brands by the Narodnaya Marka Organization Committee: Best Soap (Safeguard), Best Household Cleanser (Comet), Best Dishwashing Brand (Fairy), 1999.
- 3rd Most Admired Spanish Company, by La Actualidad Economica, 2000.
- LAREX, a leading Romanian testing institute and laboratory for consumer goods awarded P&G the Award of Excellency for Product Quality Surveillance, 1999.
- P&G Thailand received the Gold Card Certificate as a valued international trader from H.E. Deputy Minister of Finance, Pichase Panvichatikul, 2000.
- 1st prize, Best in Consumer Satisfaction (Cold Medicine) for Vicks, Indonesian Customer Satisfaction Award (ICSA), 2000.

Employee Awards

- 4th "100 Best Corporate Citizens," based on philanthropy, employee volunteers and community activities, employee diversity of women and minorities, employee benefits and safety issues, Business Ethics Magazine, 2000.
- 10 Great Companies to Work For, Food Processing Magazine, 1999.
- Top Ten Places for Minorities to Work, based on recruiting initiatives, internal programs and employee satisfaction, Vault.com, 1999.
- Top 100 Corporations to Work, Hispanic Magazine, 1999.
- Top Ten Companies for Minority Candidates, National Business Employment Weekly (WSJ), 1999.
- P&G Germany received the Total E-Quality Award, presented by Total E-Quality Deutschland e.V., for equal opportunities at work, 1999.
- P&G U.K. received two major national diversity awards from Opportunity Now organization, 2000.

Environmental Awards

- P&G cosmetics in Hunt Valley, Md., USA received an award from Baltimore County for demonstrating a commitment to recycling, 1999.
- P&G cosmetics in Hunt Valley, Md., USA received the Excellence Award For Significant Achievement by a Large Business presented by Business for the Chesapeake Bay, sponsored by the U.S. Environmental Protection Agency and the Maryland Department of the Environment, 1999.
- P&G Mexico received the Clean Industry Award, presented by PROFEPA, the Mexican Environmental Protection Agency, for Vallejo and Talisman plants' contribution to reducing pollution, 2000.

For more information on awards received by P&G please visit our Corporate web site at: *www.pg.com/cgi-bin/cgiAbout/awards.cgi*

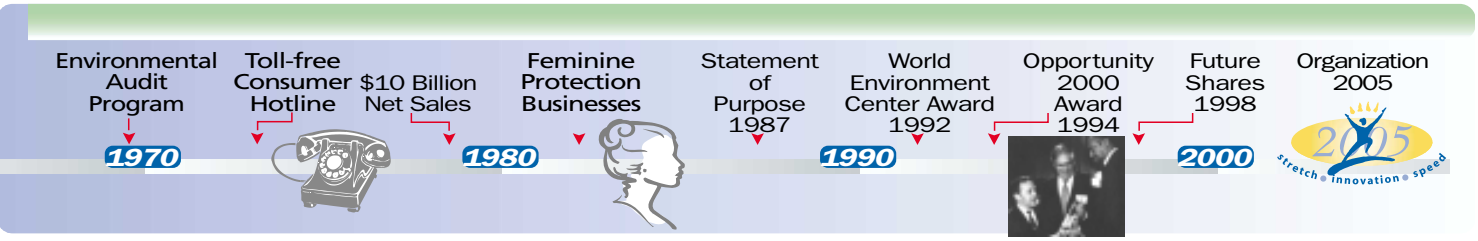
P&G Venezuela Wins Industry of the Year Award

P&G won the top industry award at Coindustria's annual Congress, held June 29, 2000, in Caracas.

This is the first time a company has been recognized for such specific accomplishments as helping develop the industrial sector and being a marketplace, as well as a social, investment leader.

The award comes at a very special moment in P&G Venezuela's history. It is our 50th anniversary.

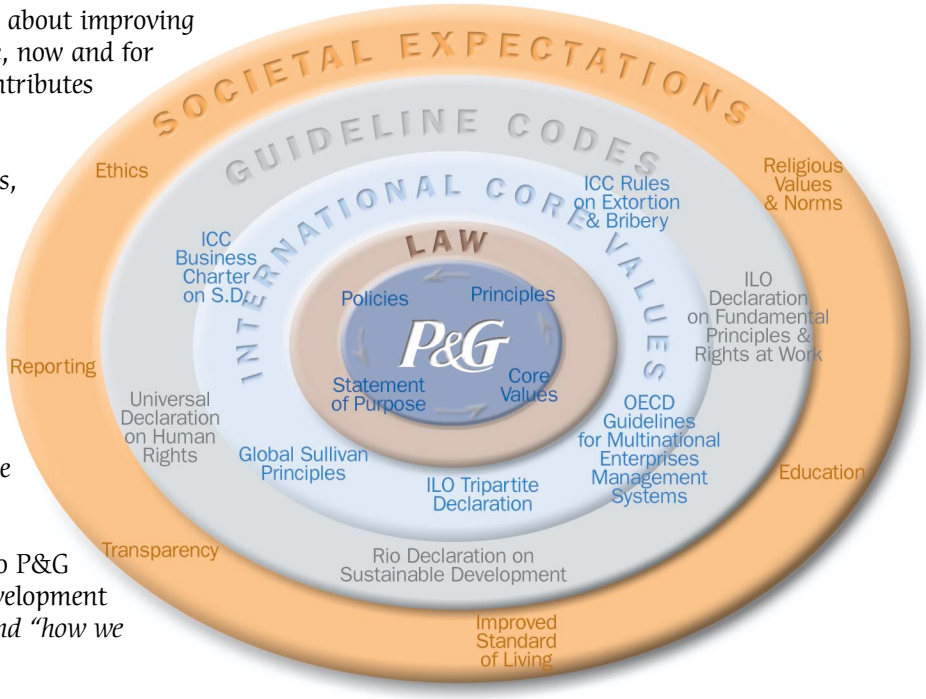
The plaque we received reads as follows: Coindustria, Venezuela's Industry Federation, gives this Recognition as Industry of the Year to Procter & Gamble de Venezuela due to its High and Continuous Contribution to the Development of National Industry during their Fifty Years of History. This Trajectory has Positioned them as Leaders in the National Market and Pioneers in Social Investment.



Policies, Organization & Management Systems

P&G improves the quality of life for many different people in many different ways.

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

KEY

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

Statement of Purpose

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

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

Core Values

P&G is its people and the Core 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 Procter & Gamble 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.

Donation to The Nature Conservancy

In September 1999, P&G donated $1.25 million to The Nature Conservancy (TNC) — the world's largest private conservation organization — for conservation programs in Brazil and the United States.

Cedar Falls hosts one of the rarest communities of Northern White-cedar at The Nature Conservancy's Edge of Appalachia Preserve.

In Brazil, $450,000 will help protect two of the earth's most important habitats, the Pantanal and the Guaraquecaba. The Pantanal is the world's largest freshwater wetland area and is home to more than 650 bird species, 260 fish species and as many as 600 species of aquatic plants. The Guaraquecaba is in the Atlantic Forest and contains some of the highest levels of biodiversity in the world.

In the United States, the Big Darby Creek project and the Edge of Appalachia Preserve System, both in Ohio, will receive a total of $800,000. The Big Darby Creek is an 86-mile-long aquatic system that harbors 103 species of fish and 38 species of mussels. The Edge of Appalachia Preserve encompasses 13,000 acres (5,260 hectares) and shelters more than 100 rare plant and animal species. P&G has worked with The Nature Conservancy since the late 1980s. This donation will enable TNC to collaborate with a diverse group of partners to develop conservation programs that bring together local communities and business, government and conservation interests in constructive, cooperative relationships.

For more information on The Nature Conservancy visit: *www.tnc.org*

Principles

These are the Principles and supporting behavior which flow from our Purpose and Core 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.

John C. Sawhill (1936 -2000)

On May 18, 2000, John C. Sawhill, the President and Chief Executive Officer of The Nature Conservancy and a member of P&G's board of directors, died of complications from diabetes. Mr. Sawhill joined The Nature Conservancy in January, 1990. Under his leadership, the Conservancy grew into the world's largest private conservation group, with annual revenues of $780 million, a roster of 1.1 million members, and a network of 1,300 private nature reserves. Since 1996 he served on P&G's board of directors, where he played a strong role in introducing and helping the Company think through what sustainable development means.

Policies

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

For purposes of implementing the above policy, we will employ the following definitions:

CHILD LABOR:
- We will look first to the sovereign laws of the country in which we are doing business.
- In the absence of any national or local law, we will define "child" as less than 15 years of age.
- If local minimum-age law is set below 15 years of age but is in accordance with International Labor Organization (ILO) Convention 138, the lower age will apply.

FORCED LABOR is any work or service extracted from any person under the menace of any penalty and for which said person has not offered himself voluntarily.

SUPPLIER or CONTRACTOR is someone who has a "direct" business or contractual relationship with P&G. We will urge our suppliers and contractors to promote the application of these principles by those with whom they do business.

Campaign 'Bolsa Escola' at P&G

Brazil's non-governmental organization *Missão Criança* acts to ensure all children have the right to a school education. Many children do not go to school because their families need them to work and earn money. *Missão Criança* set up a *Bolsa Escola* (School Scholarship) program to give these children to get an education rather than having to work. Families will receive a "wage" from *Missão Criança* if ***all*** their children attend school rather than work. There are approximately 56,000 children, from seven to 14 years old, and 25,000 families that have received the School Scholarship. In 1999, *Missão Criança* benefited five states in Brazil. This year they are extending to 10 states.

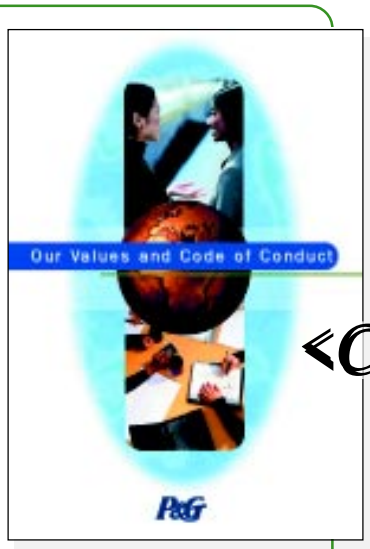
This year we invited our employees in the Brazilian head office to make a cash contribution to the *Bolsa Escola* program, and for each employee contribution P&G would match the same amount. Our employees and the Company donated $12,400 to *Missão Criança.* This will ensure the education of 57 children and give them the chance for a better future, yet still give their families the income they need.

Our Values and Code of Conduct

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

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

http://pg.com/about_pg/sectionmain.jhtml



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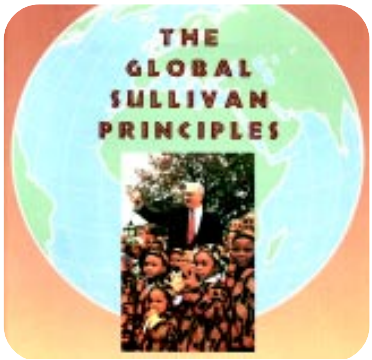
The Global Sullivan Principles



Last year, P&G was one of the handful of companies who were charter supporters of the Global Sullivan Principles for corporate social responsibility when they were announced in Accra, Ghana, and then in November at the United Nations in New York.

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

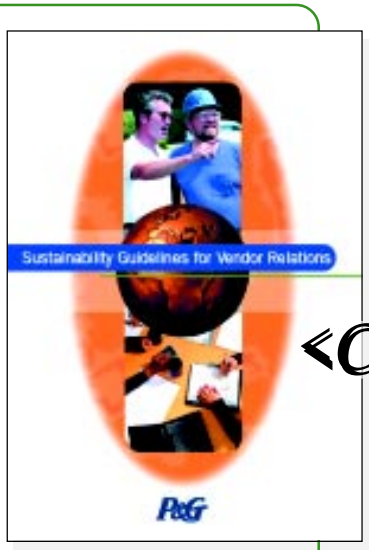
For more information on the Global Sullivan Principles visit:
globalsullivanprinciples.org

Guidelines for Vendor Selection

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

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

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



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http://pg.com/about_pg/sectionmain.jhtml

Animal Welfare

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

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

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

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

This year, the Humane Society of the United States (HSUS) presented its prestigious Russell and Burch Award to Dr. Katherine Stitzel, DVM, associate director of P&G's Human Safety Division. The annual award is given to a scientist who is a leader in advancing alternatives to the use of animals in research. HSUS vice president for animal research issues Martin Stephens, Ph.D., said, "Dr. Stitzel has worked tirelessly with researchers, federal officials and animal advocates to find win-win solutions that move us closer to the goal of ending pain and suffering for animals in consumer products testing while maintaining the highest scientific standards."

Dr. Stitzel is the first representative of any company to be recognized with this award.

www.hsus.org

Environmental Quality Policy

We will provide products of superior quality and value that best fill the needs of the world's consumers. As a part of this, P&G continually strives to improve the environmental quality of its products, packaging and operations around the world. To carry out this commitment, it is P&G's policy to:

- **Ensure our products, packaging and operations are safe for our employees, consumers and the environment.**
- **Reduce or prevent the environmental impact of our products and packaging in their design, manufacture, distribution, use and disposal whenever possible.** We take a leading role in developing innovative, practical solutions to environmental issues related to our products, packaging and processes. We support the sustainable use of resources and actively encourage reuse, recycling and composting. We share experiences and expertise and offer assistance to others who may contribute to progress in achieving environmental goals.

- **Meet or exceed the requirements of all environmental laws and regulations.** We use environmentally sound practices, even in the absence of governmental standards. We cooperate with governments in analyzing environmental issues and developing cost-effective, scientifically based solutions and standards.
- **Continually assess our environmental technology and programs and monitor progress toward environmental goals.** We develop and use state-of-the-art science and product life cycle assessment, from raw materials through disposal, to assess environmental quality.
- **Provide our consumers, customers, employees, communities, public interest groups and others with relevant and appropriate factual information about the environmental quality of P&G products, packaging and operations.** We seek to establish and nurture open, honest and timely communications and strive to be responsive to concerns.
- **Ensure every employee understands and is responsible and accountable for incorporating environmental quality considerations in daily business activities.** We encourage, recognize and reward individual and team leadership efforts to improve environmental quality. We also encourage employees to reflect their commitment to environmental quality outside of work.
- **Have operating policies, programs and resources in place to implement our environmental quality policy.**

Transport Optimization

As part of P&G's Environmental Quality Policy, we try to reduce or prevent the environmental impact of our products and packaging. Under-utilization of transport delivery systems can indirectly affect the environmental impact of our products.

Currently, trucking accounts for more than 80 percent of consumer goods delivery. Up to 50 percent of vehicle capacity in the European grocery industry is substantially under-utilized, due to either empty or partially filled trucks. This contributes to traffic congestion, environmental pollution and extra costs. As a member of the European Transport Optimization project, P&G has been working to reduce the "wasted" journeys associated with partially filled trucks.

There is consequently a huge potential to reduce the costs and environmental effects of transport operations by optimal use of capacities. To improve the current situation, P&G works with suppliers, retailers and logistics services providers to:

- raise awareness of the problems related to transport of consumer goods.
- establish guidelines and promote best practices for optimizing transport via industry associations.

At the same time, work is being done to raise awareness among regulators and legislators of key opportunities in the transport area.

Improving transport capacity utilization will ultimately benefit the consumer and society by limiting air and noise pollution, lowering prices and reducing traffic congestion as a result of fewer ton/miles carried.

Data Privacy Policy

P&G is committed to data privacy. We believe that information about an individual consumer is the property of the individual, not P&G. As a result, we always ask permission from individual consumers to use any personally identifiable data we collect in the conduct of business. This includes fully informing consumers about the information we collect, what we do with it, how we protect the data, and how consumers can control the data they have provided to P&G. The U.S. Better Business Bureau awarded 48 of P&G's North American web sites the BBB*OnLine* Privacy Seal in March, 2000, the largest BBB*OnLine* application to date. P&G also provides leadership to industry self-regulatory initiatives including BBB*OnLine* and the Online Privacy Alliance.

For more information on P&G's Privacy Policy visit:
www.pg.com/privacy.htm
www.BBBOnLine.org

Diversity

Everyone at P&G is united by the commonality of the Company's values and goals. Diversity is the uniqueness each of us brings to fulfilling these values and achieving these goals. Our differences are physical, such as race, gender and age. They also include less visible differences such as cultural heritage, sexual orientation and position in the organization.

Those differences bring fresh perspective and important insights into how we do business around the world — a rich source of competitive advantage for P&G.

Developing and managing a strong, diverse organization is essential to achieving our business objectives. Our business opportunities are increasingly related to the entire world. And it is a diverse world. We must have the ability to deal with diverse consumers and customers in order to develop products and services of superior quality and value.

Diversity provides a broader, richer, more fertile environment for creative thinking and innovation. Because we see diversity as an asset, we will attract and fully develop talent from the full range of the world's rich cultural base. It is from this diverse talent pool that our future leadership will come.

We value the different perspectives that P&G people bring to the business. Our workplace environment encourages collaboration, which brings our different talents and experiences together to produce better ideas and superior services and products.

Disabilities

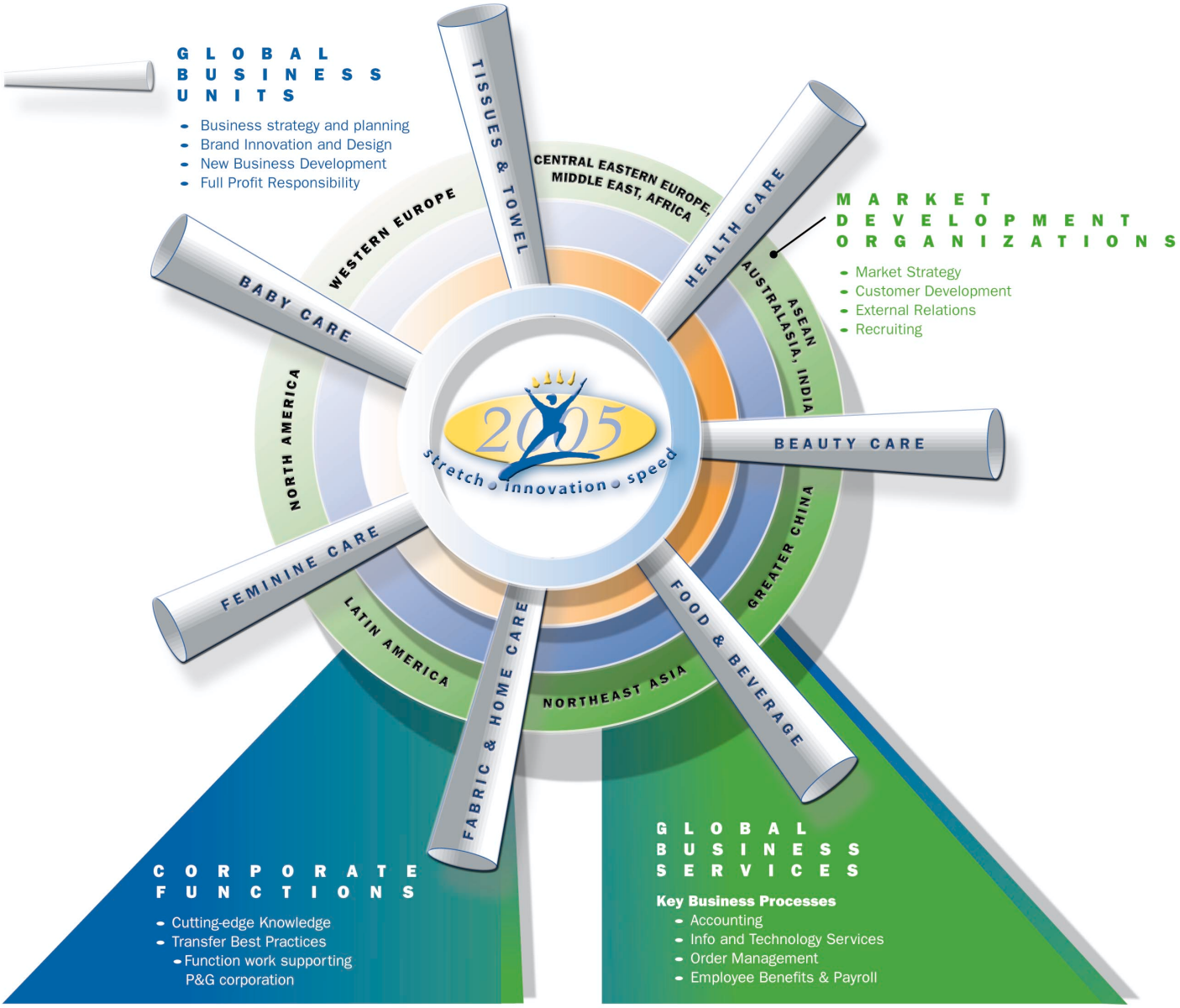
P&G values all diversity, including people with disabilities, throughout our employment systems. The Company works with employees to ensure that support and resources are available to enable people with disabilities to achieve the same high expectations, standards and challenging goals as all other employees.

To execute work in this area, a task force was created, People With Disability. The mission of this task force is to enable hiring, on-boarding, retention and advancement of people with disabilities. This is achieved by providing guidance and recommendations in five main areas: (1) Accessibility/ Work Accommodations, (2) Education and Training, (3) Policy, (4) Recruiting, Hiring, and Retention Practices, and (5) Inclusion Business Partners.

Some examples of this work include:

- Upgrading facilities and participating in pre-assessments during the design phase at new locations to meet the needs of workers with disabilities.
- Conducting benchmark visits with other leading companies (Unum Insurance, IBM and Cincinnati Children's Hospital) to look at new and innovative ways of attracting and accommodating people with disabilities.
- Increasing our recruiting communication and supporting career opportunities by establishing a recruiting team, that uses Braille business cards. We also produced open-caption video for deaf and hearing-impaired people and posted on our web site recruiting materials that are more accessible for the visually impaired.
- Hosting and sponsoring initiatives such as Able to Work, President's Committee on Employment of People with Disabilities and Kentucky Deaf Festival.

Organizational Structure



To gain even more value from our basic strengths, we have changed the way we're organized and the way we work. Our goals were to make 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.

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

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

Management Systems

P&G's Management Systems ensure that the Company's policies are implemented in a consistent manner throughout the world. These Management Systems align with the Company's policies and promote a regular flow of information that helps the Company better manage its progress on elements of sustainable development. This section provides an overview of our Management Systems, focusing on recent changes to our global Health, Safety and Environment (HS&E) programs at our manufacturing operations. Next year's report will focus on product-related management systems.

Human and Environmental Safety of our Products

Professional & Regulatory Services (P&RS) addresses issues related to products and packages. P&RS 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. P&RS also addresses other environmental questions or issues about products and packages, such as their compatibility with waste management systems, natural resource use or issues of "perceived safety."

P&RS is also responsible for ensuring that any claims the Company makes about the safety or environmental profile of its products are scientifically sound.

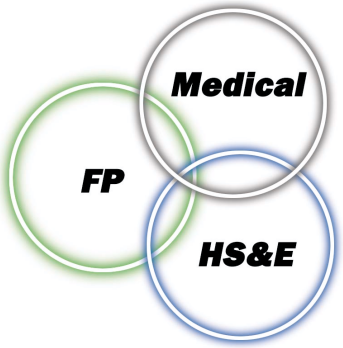
Risk assessment is the process the Company uses to assess the safety of its products and ingredients. In this process, chemical hazard and exposure information are related in a way that describes the likelihood for a chemical to adversely affect biological systems. The P&RS organizations in each business unit work closely with product development teams in the development, selection and formulation of product ingredients and mixtures with acceptable risk profiles, as well as satisfying other important business and consumer needs.

Part of P&RS is the Environmental Science Department. This is a resource center for basic science which develops procedures, data and understanding that are used to make business decisions and develop environmental risk assessments. As a Company resource, its role is to advance science and develop protocols for understanding and evaluating the environmental safety and impact of products and packages. It also conducts basic studies in toxicology, microbiology and biodegradation.

Worldwide Health, Safety & Environment Systems at Manufacturing Operations

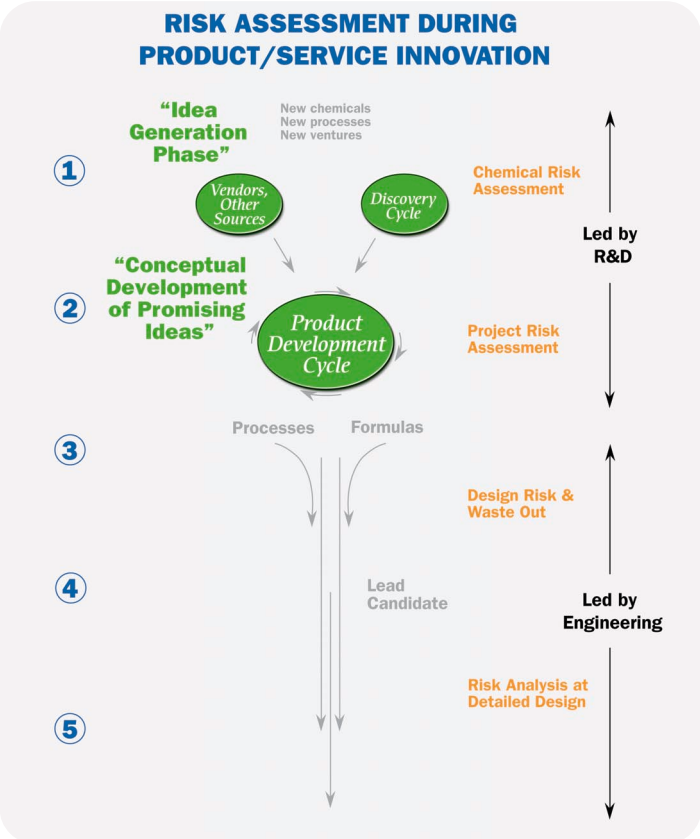
Health, Safety and Environment (HS&E) is a global community of resources responsible for ensuring that the nearly 140 manufacturing facilities worldwide are operated safely and legally; that process hazards are minimized or eliminated; that health risks are identified, managed or eliminated; and that all waste from sites is reduced as much as possible. More than 1,700 employees spend all or a portion of their time on HS&E management.

There are *3 major components* to an HS&E organization at a site: the base HS&E component (includes Environmental, Technical Safety and Industrial Hygiene & Safety disciplines), Fire Protection (FP) Systems and Medical Systems.



During the past fiscal year, P&G has further integrated its technical HS&E programs and at the same time provided a stronger interface platform for the three above-mentioned HS&E organization components, which ensures an increased efficiency in the functioning of these programs. In addition, an improved alignment has been achieved with changed work systems at the manufacturing operations.

A phased, detailed Risk Assessment is the process the Company uses to assess the safety of its pro-cesses and new initiatives that are being introduced at its own manufacturing operations as well as at contractor manufacturing operations. The schematic below indicates the phases at which Risk Assessment takes place. The whole Risk Assessment process is designed to enable "high-speed" innovation.



Ivorydale Plant SO_3 Elimination

The Ivorydale plant in Cincinnati, Ohio, hit a milestone this year in the detergent-making department with the final elimination of bulk SO_3 storage. The last stage included the final emptying and cleaning of the SO_3 storage tank as well as the mist eliminator, vaporizer, Brinks demister and reactor. This will eliminate all risk of fuming acid incidents in the department.

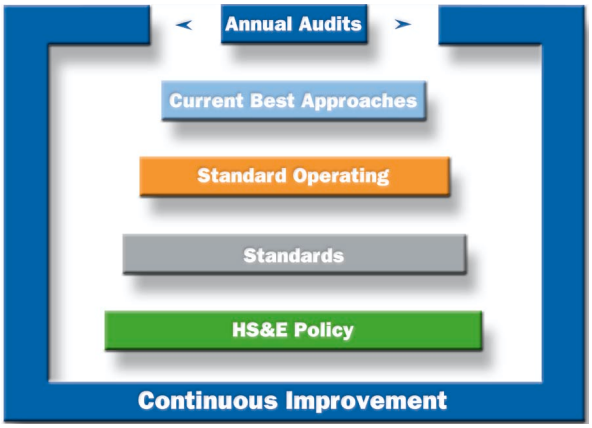
This effort began last year when the plant installed sulfur burning to produce the small amount of sulfur trioxide needed for the detergent-making process. This eliminates the need for bulk storage and has improved the overall safety of the site.

Base HS&E Program

During the past fiscal year, the following three disciplines were integrated into one base HS&E program: Industrial Hygiene & Safety (IH&S), Technical Safety and Environmental. The IH&S group originally focused on protecting the health and safety of employees. Technical Safety focused on maintaining the safety of capital assets. Environmental focused on protecting the environment through legal compliance and reducing emissions to air, water and land. With this integration we have ensured that the strong individual building blocks in these disciplines were maintained and made available to the entire HS&E Program.

As indicated in last year's report, P&G's Environmental Management System (EMS) meets the intent of ISO 14001, a global environmental management standard, as well as the European "Eco-Management and Audit Scheme" (EMAS), a similar standard in the European Union. During the integration of this EMS into one HS&E Management System, P&G ensured that this "meeting the intent" of ISO 14001 and EMAS was not lost. This was again positively verified by Environmental Resources Management, Inc., a highly respected international environmental consulting firm. P&G will regularly verify that it continues to meet the intent of both these international standards.

The logical flow of the programs and the transparency have been maintained. HS&E's policy is still derived from principles, values, legal requirements and regulatory requirements. The policy is translated into action by standards of performance (Mandatory Whats) and standard operating procedures (Mandatory How To's). These are augmented by current best approaches, which include guidance documents, training programs, certifications and other tools needed to meet the standards. Feedback on performance, measurements of accomplishments and opportunities for improvement are all provided by mandatory annual audits.



Medical Systems

The Global Medical network advises and assists management and employees at the sites in assuring a safe, healthy work environment through the delivery of preventive health and clinical services which optimize business contributions.

Global Medical manages health issues which may impact employees, technologies and brands. The work priorities of Global Medical are to:

1. Protect our people.
2. Obey the law.
3. Protect key technologies.
4. Enhance speed to market.
5. Optimize employee productivity.

All medical standards of performance and stan-dard operating procedures directly flow from specific P&G Principles, Core 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 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 within each Key Element.

Insurance Systems

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

The Program is guided by the following basic principles:

- The Company's primary defense against loss is effective loss prevention programs.
- Insurance is no substitute for effective loss prevention.

The Corporate Insurance Program covers areas of loss and potential loss such as property damage; business interruption resulting from property damage; legal liability resulting from property damage or personal injury; the legal liability of Directors, Officers, Trustees and employees arising from the performance of their duties; and theft.

Human Resources

Human Resources ensures that P&G has the employees, organizational design and work culture to deliver increasing business productivity and to continually improve consumer, employee and shareholder value. They provide recruiting, training, development, diversity, benefits and compensation coordination for the Company.

It is the Company's intent to develop all employees to their full potential. To achieve this goal the following support systems are in place:

- Career discussions, performance appraisals, assignment plans, transfer and promotion plans.
- Informal network support groups.
- Mentoring to provide informal support and guidance, in addition to coaching and training provided by each employee's direct manager.

Employee Training at P&G

P&G provides continuous training of its personnel. In this era of increasing information and communication technologies, Information Technology (IT) training is an essential part of this life-long education. Within Europe, the Portuguese presidency of the European Council indicated IT training as one of its priorities, as "digital illiteracy" is threatening to become a new social barrier. The conclusions of the Lisbon European Council made a special appeal to companies' corporate sense of social responsibility in this area. A recent example of our commitment in this area is the *P&G 2000 Program* in Romania *(see page 27)*.

P&G employees have access to a variety of IT training programs, many resulting from the evolution of technologies and software, depending on their jobs and interests. The training programs vary from special applications training to basic workstation training and office systems training. Overall, P&G spends approximately $125 million per year on the continuous IT training of its employees. This compares to a yearly R&D budget of $1.9 billion.

The paper published by the Portuguese presidency of the European Council is available on: *europa.eu.int/eur-lex/en/com/pdf/2000/com2000_0318en01.pdf*

Principal Industry & Business Associations

P&G holds membership in many industry, business and environmental associations whose activities are related to the Company's. The list below is a sample of those with whom we work:

Europe, Middle East and Africa

- Advertising Associations: ***WFA*** - *World Federation of Advertising.*
- Chemical Industry Associations: ***CEFIC*** - *European Chemicals Industry Association.*
- Cosmetics Industry Associations: ***COLIPA*** - *Cosmetics & Fragrances Industry.*
- Detergent Industry Associations: ***AISE*** - *Association Internationale de la Savonnerie de la Detergence et des Produites d'Entretien.*
- Employer Associations: ***UNICE*** - *Union of Industrial & Employers' Confederation of Europe.*
- Environmental Associations: ***ECETOC*** - *European Center for Ecotox and Toxicology of Chemicals; EUROPEN - The European Organization for Packaging and the Environment.*
- Euro/American Business Associations: ***AECA*** - *American European Community Associations; EU Committee of AmCham.*
- Food Associations: ***CIAA*** - *European Food Industry Association;* ***CIES*** - *Food Business Forum.*
- Grocery/Brand Associations; ***AIM*** - *European Brands Association.*
- Multi-stakeholder Associations: ***EPE*** - *European Partners for the Environment.*
- Paper Associations: ***EDANA*** - *European Industry of Non-Woven Products;* ***HAPCO*** - *European Industry of Hygiene Paper Products.*
- Pharmaceutical Associations: ***AESGP*** – *OTC Manufacturers Association;* ***FPIA*** - *Pharmaceutical Industry Association.*
- Waste Management Associations: ***ASSURRE*** - *Association for Sustainable Use and Recovery of Resources in Europe.*

UNICE (Union of Industrial & Employers' Confederation of Europe): The officially recognised representative of business interests with the institutions of the European Union - for example the Commission and Parliament. It consults with these bodies as one of the social partners, provides industry perspective on new proposals and contributes expert members to Fora and committees set up by the Community institutions. It consists of the industry federations of the 15 EU member states and 20 other European countries. It does not have direct company membership. Nevertheless companies provide experts to a number of working groups often via a member federation. P&G contributes expertise to groups working on Trade, Consumer Policy, Waste and Environmental Management systems.

Latin America

- Advertising Associations: ***CONAR*** - *Chilean Advertising Self-Regulation and Ethics Council.*
- Business Councils for Sustainable Development: ***CEVEDES*** - *Venezuelan Business Council for Sustainable Development.*
- Chemical Industry Associations: ***ASOQUIM*** - *Venezuelan Association of the Chemical Industry.*
- Cleaning Products Industry Associations: ***ABIPLA*** - *Brazilian Association of Household Cleaning Products.*
- Cosmetics and Toiletries Industry Associations: ***CANIPEC*** - *Mexican Association of the Industry of Cosmetics and Perfumes.*
- Employer Associations: ***Peru 2021*** - *Peruvian Employers Association.*
- National Industry Associations: ***Union Industrial*** - *Argentinian National Industry Association.*
- Pharmaceutical Products Associations: ***CAVEME*** - *Venezuelan Pharmaceutical Products Association.*
- Soaps and Detergents Manufacturers Associations: ***ANALJA*** - *Colombian Soaps and Detergents Manufacturers Association.*
- Waste Management Associations: *Latin America Federation of Waste Management.*

Waste Management Associations: P&G is a key participant in Latin American waste management associations. Some Latin American countries are considering enacting packaging waste take-back legislation modeled after that prevalent in the European Union. This type of legislation makes waste management so expensive that implementation would not only be economically unwise, it would even have negative ethical implications given that the cost of collecting packaging waste would equal or surpass the total Health Care and Environmental Protection budgets in many of the countries. Industry has formed waste management associations in Argentina (CEMPRE), Brazil (CEMPRE), Mexico (SUSTENTA), Puerto Rico (ICPRO), Uruguay (CEMPRE) and Venezuela (ADAN) to promote the concept of Integrated Solid Waste Management as an appropriate solution to the problem. These Associations are grouped in the Latin America Federation of Waste Management to coordinate strategies and exchange ideas.

North America

- Advertising Associations: ***ANA*** - *Association of National Advertisers.*
- Business Associations: ***BRT*** - Business Roundtable; ***BSR*** - *Business for Social Responsibility.*
- Chemical Industry Associations: ***CSMA*** - *Chemical Specialties Manufacturers Association;* ***ACS*** - *American Chemical Society (formerly CMA);* ***CCPA*** - *Canadian Chemical Producers Association.*
- Cosmetics Industry Associations: ***CTFA*** - *Cosmetic, Toiletry and Fragrance Association.*
- Detergent Industry Associations: ***SDA*** - *Soap & Detergent Association;* ***SDAC*** - *Soap & Detergent Association of Canada.*
- Environmental Associations: ***CEPA*** - *Canadian Environmental Protection Agency;* ***WERF*** - *Water Environment Research Foundation, National Environmental Development Association;* ***GEMI*** - *Global Environmental Management Initiative.*
- Food Associations: ***FCPMC*** - *Food and Consumer Products Manufacturers of Canada;* ***NFPA*** - *National Food Processors Association.*
- Grocery/Brand Associations: ***GMA*** - *Grocery Manufacturers of America.*
- Health Care Associations: ***CHPA*** - *Consumer Health Products Association;* ***PhRMA*** - *Pharmaceutical Researchers and Manufacturers of America.*
- Legislative/Public Policy Associations: ***ALEC*** - *American Legislative Exchange Council;* ***CSG*** - *The Council of State Governments;* ***NCSL*** - *National Conference of State Legislatures.*
- Paper Associations: ***AF&PA*** - *American Forest & Paper Association.*
- Waste Management Associations: ***CSR Canada*** - *Corporations Supporting Recycling;* ***KAB*** - Keep America Beautiful.

GMA (Grocery Manufacturers of America): This is the world's largest association of food, beverage and consumer product companies. With U.S. sales of more than $460 billion, GMA members employ more than 2.5 million workers in all 50 states. The organization applies legal, scientific and political expertise from its member companies to vital food, nutrition and public policy issues affecting the industry.

BSR (Business for Social Responsibility): This US-based business association of over 1,400 companies serves as a global resource for companies seeking to sustain their commercial success in ways that demonstrate respect for ethical values, people, communities and the environment. BSR assists its members in creating value by providing expert help as companies address the full range of corporate responsibility issues.

Asia

- Detergent Industry Associations: ***ISTMA*** - *Indian Soap & Toiletries Makers' Association;* ***SDA*** - *Taiwan Soap & Detergent Association;* ***SDA*** - *Thailand Soap & Detergent Association.*
- Economic Associations: ***APEC*** - *Asia/Pacific Economic Cooperation.*
- Industry Councils: ***CII*** - *Confederation of Indian Industry;* ***FICCI*** - *Federation of Indian Chambers of Commerce and Industry; Federation of Thai Industries;* ***ASSOCHAM*** - *Associated Chambers of Commerce and Industry of India.*
- Paper Associations: ***JHPIA*** - *Japan Hygiene Product Industry Association; Taiwan Paper Industry Association.*

CII (Confederation of Indian Industy): This is India's premier industry association, with more than 3,800 corporate members. The CII represents the interests of Indian industry by taking initiatives to facilitate industry to become competitive. P&G works with CII on a number of programs including the elimination of trademark and packaging infringements and environmental issues like the adoption of ecolabels concurrent with ISO Type 2 or 3 ecolabels.

Worldwide

- ***WBCSD*** - *World Business Council for Sustainable Development.*
- ***ICC*** - *International Chamber of Commerce.*
- ***Conference Board.***
- ***SETAC*** - *Society of Environmental Toxicology and Chemistry.*

SETAC - Society of Environmental Toxicology and Chemistry: This is a nonprofit professional society devoted to advancing multi-disciplinary approaches to solving environmental problems. SETAC's membership extends across business, government and academic sectors, offering an important forum for scientists, engineers and risk managers to participate in the exchange of ideas and principles underlying sound environmental management policies. P&G has supported the efforts of SETAC since 1979. The ecological risk assessment tools developed through SETAC help P&G and other companies evaluate the safety of new product and packaging systems. P&G serves on numerous SETAC boards, panels and advisory groups.

Stakeholder Interaction

Consumers

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

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

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

We receive more than 5 million consumer contacts worldwide each year through 800-line phone calls, e-mails and other written correspondence. While many of these contacts are via telephone calls, e-mail contacts are steadily increasing.

Consumer comments are tracked in data bases and serve as an important information source for future product development. Consistent comments on performance – both positive and negative – can lead eventually to changes to the product. Positive comments ensure that those features consumers like are retained, while negative comments are important learnings for us to further improve our products.

For example, with Pampers, consumers complained about the fixing tapes, which were becoming loose. The tape was replaced by a more effective one.

A more recent example is Swiffer. The length of the sweeper handle was increased as a result of consumer feedback.

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. When open days on the sites are impossible to organize, (for example, this year the Amiens plant in France has been under complete transformation), we ensure continuity in community interaction by meeting regularly with the 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.

Kansas City Clean-Up

In September, 1999, while doing soil coring for a new building, the Kansas City Folgers plant discovered that it had been sending oil into the soil at a level of 20 feet below ground. It was determined that the oil originated from a vacuum pump exhaust header that was piped into an old incinerator stack. The site replaced this system with a new, modern collection system to ensure containment.

The plant immediately notified the state and P&G environmental leaders. Plant personnel then spent their Labor Day weekend mitigating the source of the oil and remediating 70 barrels of oil-laden fly ash.

An environmental consulting firm was brought in to do additional coring to delineate the extent of the problem. There was no Notice of Violation or any other negative repercussions from the incident. The immediate response and the excellent relationship between Plant Resources and local environmental officials make this a model for quick-response corrective action.

P&G 2000 Program - Romania

This year P&G Romania initiated the *P&G 2000 Program,* which offered 160 schools a computer lab. To fund the project, P&G donated 3 percent of sales from its products bearing the *P&G 2000* logo, within the period October to December 1999. Products participating in the program were Ariel, Tide, Perlan Bonux, Ace, Pantene Pro-V, Head & Shoulders, Blend-a-Med, Always and Pampers. P&G opened the fund with an initial donation of 100 computers.

The *P&G 2000 Program* officially closed on February 1, 2000, with announcement of the 160 winning schools. During the presentation event, 10 of the winning schools were in a live dialogue via the Internet with journalists and public personalities. Each of the 160 schools received a computer laboratory equipped with five IBM computers, connected to the Internet through *Xnet,* which also offered them a one-year free Internet subscription and connectivity equipment.

Scientific Community

P&G works a great deal with external scientists in various disciplines (e.g. human and/or environmental toxicology, new technologies, etc.). This happens during many phases of a product's life: at the initial development of new technologies, during the early marketing phases, and on an "as needed" basis while the products are on the market.

As a technology-based company, P&G has long established relationships with many leading scientists at various universities all over the world. P&G often asks for their advice in panels which take place before a product is placed on the market. On key developments, the Company organizes Scientific Advisory Groups (SAGs) consisting of leading external scientists. They review the data P&G scientists have collected so they can assess aspects such as safety. Then they recommend additional work or modifications to the program to ensure the Company has adequately addressed all safety issues

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 Office review existing and upcoming legislation that is relevant to the Company and work with authorities to ensure that policies take the needs and experience of business into account. This is done via direct meetings with the authorities and comments on authorities' position papers and industry position papers. Activities like these can be very important to ensure the Company's needs are understood and taken into account whenever decisions are being made that can influence any aspect of the P&G business.

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

Ace and the South Africa Department of Health

The Ace-Department of Health (DoH) Drinking Water Project was initiated in 1997. The objective of the Project was to develop posters to educate communities in rural areas about disinfection of their drinking water.

Two posters were developed: One outlined the disinfection of water collected from community taps, by standing for a while in the house with 5ml of Ace added to 25 l of water. The second poster acted as a guideline for disinfection of surface water for drinking purposes, 10 ml of Ace added to 25 l of water.

The DoH laboratories conducted efficacy tests on Ace, proving its disinfection capabilities. As soon as word spread regarding the success of this Project, we were approached by the Kwa-Zulu Natal Province to develop posters reflecting good drinking water habits and practices around the house. We currently have these posters printed in both English and Zulu.

During the severe floods earlier this year, P&G was very active in educating people in squatter camps hit by floods and where there was a very high risk that the sewage system would collapse. We also helped in the flood areas in the Northern Province and Kwa-Zulu Natal.

P&G Working with Kobe City's Solid Waste

In 1996 Japan's Kobe City developed a master plan for the management of non-industrial solid wastes. The objective of the plan was to keep the amount of disposed waste at 1993 levels by phasing in a set of waste reduction targets.

However, when the levels of solid waste began to increase in 1998. To address this, Kobe City established a working group to review the master plan for the year 2000. The working group consists of three groups: thought leaders, industry representatives and local citizens. P&G is participating as one of the industrial representatives.

The report of the working group will be submitted to the Kobe City Environmental Preservation Committee, and a revised master plan developed.

NGOs : Local - Regional - Global

P&G frequently enters into dialogue with nongovernmental organizations (NGOs) to understand their concerns and cares. In order to work constructively with stakeholders, it is essential to have their confidence and to be seen as a reliable and open discussion partner. By building an open relationship we can approach our NGO partners when issues arise. There is a wide range of NGOs varying by area of interest (environmental, consumer, animal welfare, etc.), by attitude (from extreme to moderate) and by their geographic links (from local to global). Depending on their characteristics, a number of NGOs can be seen as the vocal spokespeople for the general public.

Consumer organizations exist in many countries. These organizations contact companies to compare products and voice comments they receive from their members. P&G continuously provides consumer organizations with information on new initiatives and cooperates with them in answering consumer questions.

Combined Stakeholder Dialogues

Depending on the issue, P&G also sets up workshops, inviting scientists, regulators and NGOs together to discuss a specific issue and to attempt to come to a common understanding. P&G gains invaluable experience from these types of interaction. These dialogues also hold great promise for frank discussions in the future.

European Partners for the Environment and WBCSD

P&G is a founding member and active supporter of European Partners for the Environment (EPE), a multi-stakeholder organization bringing together public authorities, business, trade unions and environmental NGOs to promote sustainable development. Peter Hindle, P&G's Director of External Relations for Global Fabric and Home Care, is the current President of EPE.

Together with the World Business Council for Sustainable Development (WBCSD), of which P&G is also a member, EPE has addressed a Joint Memorandum to the President of the European Commission, with proposals for the first European Sustainable Development Strategy. Peter Hindle and other EPE/WBCSD representatives met with the EC President to discuss the proposals further.

P&G Jordan / UNICEF Working to Detect Early Childhood Disabilities

Earlier this year a Jordanian TV production agency, Elsaje Production House, launched an awareness project that brings together the private sector, local NGOs, United Nations agencies and donor countries. This project involved the development, production, and broadcasting of public service announcements on issues of concern such as human rights, environment and health.

P&G (Pampers) contributed to this campaign through co-sponsoring, with UNICEF (United Nations Children's Fund), a message on the early detection of childhood disabilities. To initiate the process, P&G met with representatives from the Jordan Ministry of Health, UNICEF and the production agency to assist in the identification, selection and development of the themes. The production agency produced a message broadcast on Jordanian National TV, aired twice daily for two consecutive weeks.

Performance

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

Process for Data Collection

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

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

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

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

Acquisitions and Divestitures

All facilities that operate during the fiscal year reporting period, including the recent acquisition of Iams and PuR, reported data. The recent acquisitions of Iams and PuR have been included. For divestitures, wastes and emissions are estimated for the last year in which they operated.

WBCSD Eco-Efficiency Project

Eco-efficiency is at the heart of the World Business Council for Sustainable Development's (WBCSD) philosophy. The word itself, a combination of economic and ecological efficiency, is now firmly entrenched in the business lexicon as more companies come to recognize that eco-efficient practices can feed right through to the bottom line.

"Only what gets measured gets done" is the underlying principle of the eco-efficiency project. The intent is to develop an effective approach for companies to measure their eco-efficiency, and to report to internal and external stakeholders.

A flexible approach, the objective is to establish a general, voluntary framework that is flexible enough to be widely used, broadly accepted and easily interpreted by a large spectrum of sectors. The specifics of defining, measuring and communicating eco-efficiency will necessarily vary from one business to another, and comparisons between different businesses must be approached with great caution. The eco-efficiency data should be presented in such a way as to be scientifically proven, relevant, accurate and useful. The concept identifies two categories of indicators:

- **Generally applicable and relevant indicators:** These indicators relate to all companies independent of type. It includes energy, materials, water, greenhouse gases and total waste.
- **Company-specific indicators:** Goes further than the selected indicators above. For example, total waste is broken into its components, such as hazardous waste, wastewater and air releases.

The environmental data presented in this report (unless otherwise stated) are based on the WBCSD eco-efficiency project.

www.wbcsd.ch

Major Impacts Associated with Products and Services

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

Social Equity
- Health
- Hygiene
- Education

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

The environmental impacts associated with P&G's products and services, by the very nature of producing and using a product, use resources and generate wastes and emissions. P&G is committed, through its Environmental Quality Policy, to *"reduce or prevent"* this whenever possible.

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

Generally Applicable and Relevant Indicators

Environment

As the diagram on the next page illustrates, P&G's use of material resources is highly efficient. The vast majority of materials are converted to products, and the output of manufacturing waste (which is largely non-hazardous) is low. To give a more comprehensive understanding of materials used, data for packaging and manufacturing operations is provided below.

The waste summary is presented in two ways. The table below presents the data in metric tons by Global Business Unit (GBU). The following sections present the data graphically in an eco-efficient format; in other words, the graphs show production per resource consumed or waste generated.

Manufacturing Waste & Cost Summary

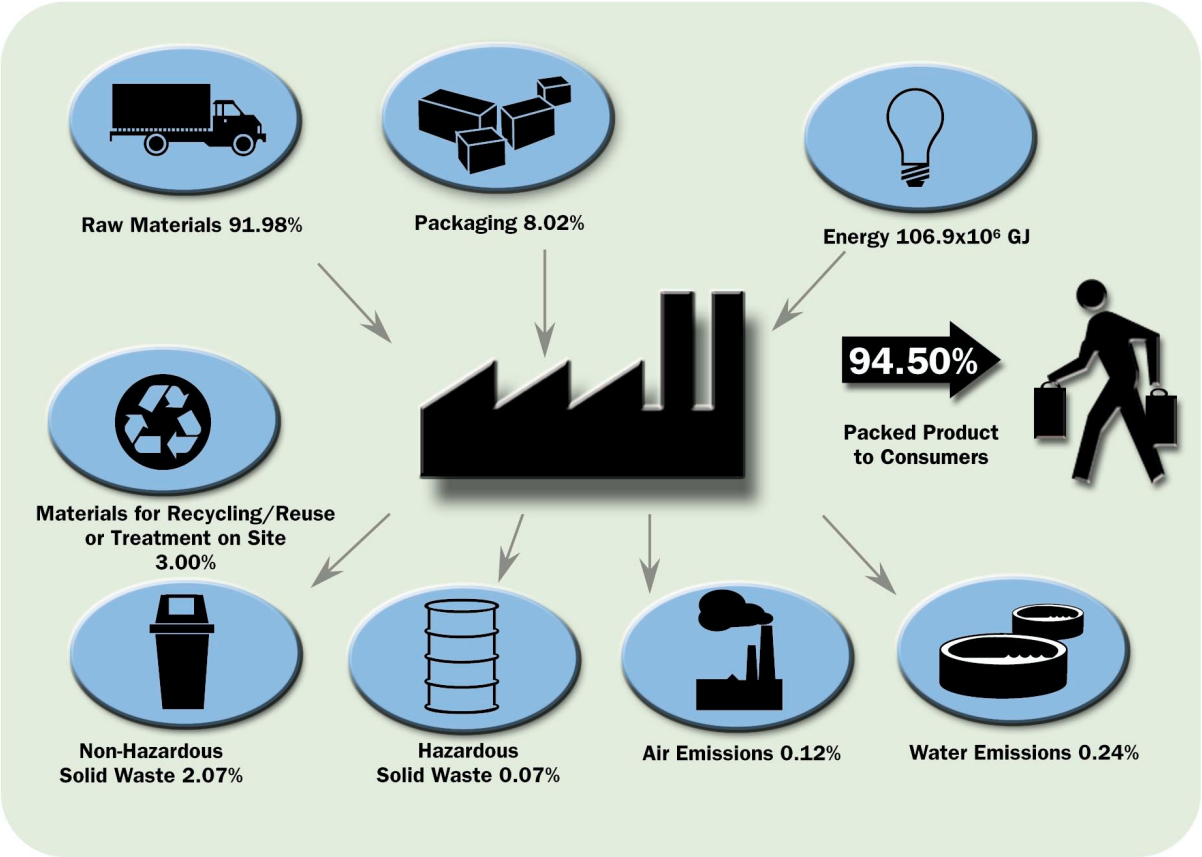
All waste units are in thousands of metric tons unless otherwise noted. 1 ton = 1,000 kg = 2,205 lbs.

Measure	Total			1999/2000 Global Business Unit Details						
Production	1999/2000	1998/99	1997/98	BBC	BC	FHC	FC	FB	HC	TT
Packaged Product Shipped	15,229	14,644	14,436	1,281	1,165	6,914	639	2,656	789	1,782
Raw Materials from Recycled Sources	476	380	400	0	0	0	0	0	0	476
Packaging Used	1293	1,375	1,367	70	122	585	57	288	99	72
Packaging Material from Recycled Sources	444	490	455	27	25	242	19	81	22	28
Waste										
Generated Waste	879	863	893	146	59	146	67	136	29	296
Percent Recycled/Reused Waste	55%	56%	53%	67%	50%	61%	79%	60%	37%	40%
Disposed Waste										
Solid Waste — Non-Hazardous	317	271	324	45	20	37	13	30	10	162
Solid Waste — Hazardous	12	27	12	0.3	3	7	0.7	0.01	0.7	0.6
Effluents (Excluding Water)	39	31	37	1	3	7	0.1	18	5	5
Air Emissions	19	20	20	1	0.9	3	0.1	5	1	7
Other										
Energy Consumption (10^5 GJ)	1,080	967	947	90	38	281	35	107	30	499
Water Consumption (MM cubic meters)	87.0	83.4	ND	7.1	3.7	14.1	0.4	10.7	2.1	48.8
SARA Releases (1,000 tons)*	1.9	1.6	1.9	0	0.01	1.5	0	0.1	0.04	0.2

* Releases defined in the U.S. Superfund Amendments and Reauthorization Act by the U.S. Environmental Protection Agency.

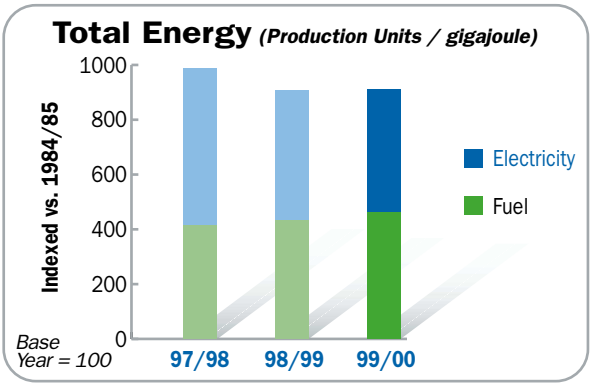
NOTE: BBC - Baby Care; BC - Beauty Care; FHC - Fabric & Home Care; FC - Feminine Care; FB - Food & Beverage; HC - Health Care; TT - Tissues & Towel

MANUFACTURING – MATERIAL FLOWS 1999/2000



Energy Eco-Efficiency

Energy efficiency is important to all of us. The trend from 1985 shows energy use as nine times more efficient (9x production for each gigajoule used). Over the past three years, fuel use has decreased and electricity use increased. In terms of eco-efficiency as used in the graph, the bar is decreasing for electricity and increasing for fuel.

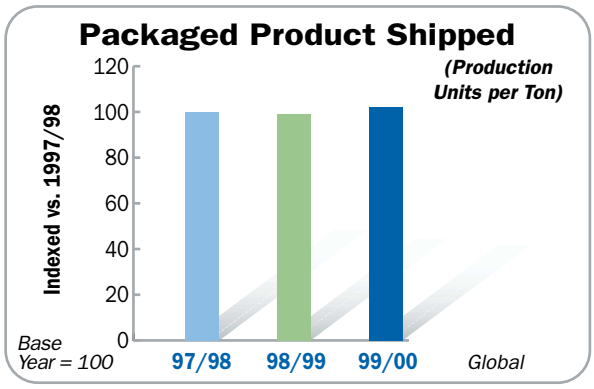


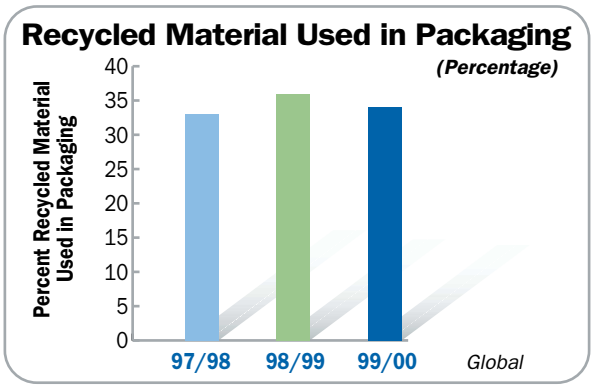
The Company first analyzes new projects using life cycle cost analysis before they reach the site. This analysis compares up-front capital costs to ongoing expenses. For example, spending money up-front to fully insulate a building is compared to the ongoing expense of heating or cooling the same building.

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

Materials Eco-Efficiency

The Company achieved record shipments for the year ending June 30, 2000. Packaging for product remains less than 10 percent of total volume shipped and is slightly improved verses '98/'99.





Recycled material is used in a variety of packages from corrugated shipping cartons to plastic bottles. More than 30 percent of the material that P&G uses for packaging is from recycled sources.

Reduced Pampers Package Introduced in Western Europe

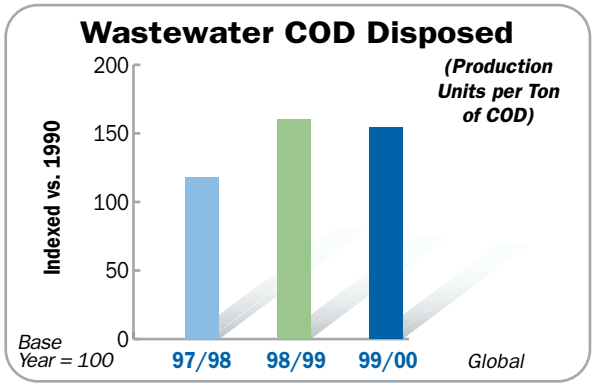
An innovation in packaging for Pampers baby diapers in Western Europe has reduced the weight of diaper shipping packages by approximately 90 percent. This was made possible by replacing the outer cardboard case with a polyethylene film. The "elimination of the outer casing" initiative represents a significant contribution to packaging material source reduction. For total Pampers volume in Western Europe (Germany, Austria, Switzerland, Sweden, Belgium, Netherlands, U.K., France, Greece) it presents a packaging material source reduction of approximately 14,000 metric tons per year.

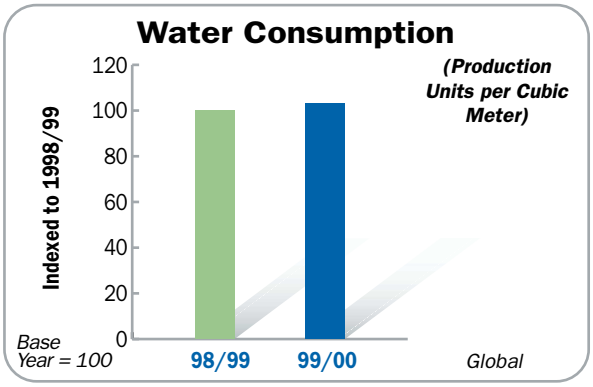
An in-house screening Life Cycle Inventory (LCI) has been conducted to compare both packaging designs in terms of their environmental profiles. Overall, the LCI results confirm the environmental progress this packaging development represents, in addition to its cost savings and benefits to retailers. Results demonstrate a positive environmental profile for the polyethylene with a reduction in total resource consumption and emission parameters. Retailers will see practical benefits from this innovative packaging. The transparent film wrap allows Pampers diapers to be easily recognized on pallets. In addition, handling and opening of the new packages is faster and easier than the standard cardboard cases.

Water Eco-Efficiency

To show the complete picture for water, we report for the first time water consumed as well as the COD in waste effluent. Wastewater COD is not as eco-efficient as it was last year, but it is still considerably better than in 1990. We are able to produce 50 percent more production per unit of wastewater than we were able to in 1990. Effluent waste includes oxygen-consuming substances in the wastewater but excludes water.

Sites began tracking the consumption of water two years ago. Water eco-efficiency has improved this year. Overall, water use is up slightly even though our largest business user, Tissue & Towel, has shown a reduction (4 percent). Efforts are underway to develop further plans to reduce water consumed.





Wastewater Treatment in Mexico

This year, two new wastewater treatment plants have come online at our facilities in Mexico City – a paper manufacturing plant located at Apizaco and our Health Care Products plant in Naucalpan.

- At the end of 1997, P&G acquired a paper manufacturing plant located at Apizaco, a city in Tlaxcala State. The due diligence process had disclosed that, prior to P&G's ownership, there had been a number of cases when the plant had accidentally discharged wastewater into the Zahuapan River without the proper treatment. This situation had created a bad image for the Apizaco plant, especially because the Zahuapan River is the only sizeable river in Tlaxcala, a state known for its extremely arid climate.

  As soon as the property was taken over, P&G approved an investment of $4.5 million to design and construct a new state-of-the-art biological wastewater treatment plant, to ensure the wastewater discharge to the river not only met the standing regulations but also yielded 70 percent lower biological oxygen demand (BOD) than the permit limits.

- New environmental regulations on the quality of industrial wastewater discharges in Mexico City were implemented in 1999, setting up a maximum biological oxygen demand limit of 200 mg/l. The wastewater discharge of our Health Care Products plant in Naucalpan was about five times as large as this new parameter.

  In order to ensure compliance, P&G immediately started construction of additional wastewater treatment facilities to reduce the BOD of our discharge to 50 percent of the maximum permissible limit. The investment required for this substantial reduction was on the order of $750,000.

Apizaco Plant, Mexico

Both installations are now completed. Mexico City government officials have been invited to tour the Naucalpan facility to witness the fast pace at which P&G complied with the strict parameters set up by the regulations.

Greenhouse Gas Eco-Efficiency

Eco-efficiency of greenhouse gas has improved this year. The eco-efficiency indexes for '99/'00 are three and a half times more production per ton of CO_2 emissions since 1990. There has been a shift from fuel combustion to electrical generation and also a shift away from coal to cleaner fossil fuel.

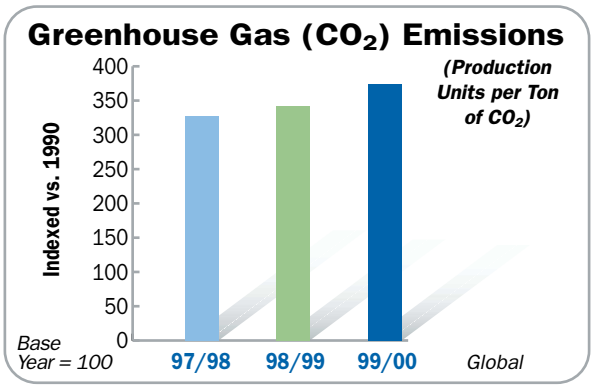
Sacramento Meets New Air Regulation

This year our Sacramento site reduced VOC air emissions from 68 kg/day from the fire pit to 1.8 kg/day by installing a temporary scrubber. More permanent solutions such as chill-water condensers are being investigated.

Secondly, to control the 45 kg/day from the seal tank, the site followed a two-step process. First, it installed an automatic temperature control to maintain the water temperature in the seal tank at less than 38° C, which will reduce methanol emissions. Then, they installed a disk diffuser to increase mass transfer of methanol to water.

These two projects, at a cost of $30,000, have reduced the total VOC emissions from 113 kg/day to 2.0 kg/day.

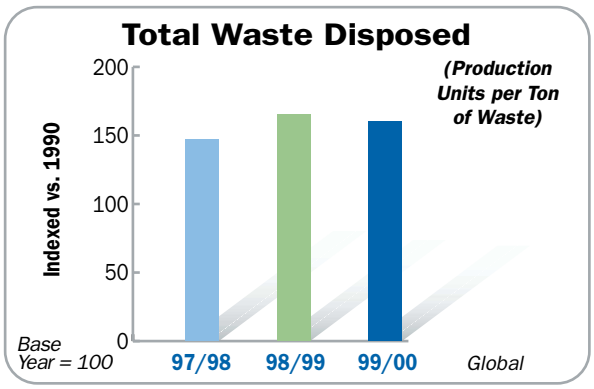
In addition, the absolute CO_2 emissions are still much lower than the 1990 baseline. The decrease from 1990 resulted from the sale of pulp mills in the United States and Canada, and the conversion of coal to natural gas in the United Kingdom and China.



Waste Disposed Eco-Efficiency

Total waste disposed is our key management method to keep waste under control. Total waste disposed is waste which cannot be reused, recycled, composted, applied to land as conditioners or nutrients or burned for energy recovery. Total waste comprises the sum of non-hazardous and hazardous solid waste, plus effluent measured as COD and air emissions. This measurement has been in effect since 1990.

Our pollution prevention and Design Manufacturing Waste Out programs have saved more than $505 million cumulatively in the past six years, while producing two-thirds of our previous waste.



Belleville Scrap Savings

The Belleville site, Ontario, Canada, attracted two new companies into the area to help increase scrap recycling. Through the partnership the plant achieved an annual savings equal to $944,492 and increased total revenues by $114,468.

We achieved this in a number of different ways:

- source separating some types of waste on site
- working with new vendors to improve costs
- eliminating certain materials from the site

Witzenhausen Plant Continuous Improvement

Witzenhausen's Tissues & Towel plant has again successfully reduced its disposed waste by approximately 50 percent and its residual waste cost by 83 percent versus the 1998/99 level.

As a first step, the site improved the waste separation program in the plant, with the involvement of all employees, to get a separated "clean" waste stream, which can be recycled by other companies. The next step was to identify the main sources of cost in the plant. As a result of the continuing environmental improvements a total of $200,000 in savings was achieved in fiscal year 1999/00.

Social Equity

Philanthropic Contributions

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

	1999/2000	1998/99	1997/98
Total	$28,292,768	$27,585,008	$26,614,350

This year's total contribution reflects a 2.6 percent increase in spending vs. the 1998/1999 level. In addition, with the implementation of the Company's Organization 2005 initiative, we did not compile global contributions data.

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

Diversity Data — Global Enrollment

P&G expects its workforce to become increasingly more diverse. This is a global policy, and programs are in place for continuous improvement in all regions. Global reporting of enrollment by gender is shown in the following table:

Global Enrollment 1999/2000	
%Male	%Female
59	41

This global data does not yet include plant technicians in the United States, United Kingdom and Latin America; more complete data is expected to be available early next year. Global data is being developed in a new system consistent with the Company's Organization 2005. Thus, historic global data is not available for comparison. The percentages of minority and female employees in the United States are shown in the following table:

	% Minorities			% Female		
	1999/00	1998/99	1997/98	1999/00	1998/99	1997/98
Management	15.9	15.8	15.6	33.7	33.1	32.5
All Other Employees (Administrative, Technical and Plant Technicians)	18.8	18.5	19.2	39.7	39.9	39.5

Wages

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

Benefits

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

Industrial Hygiene & Safety

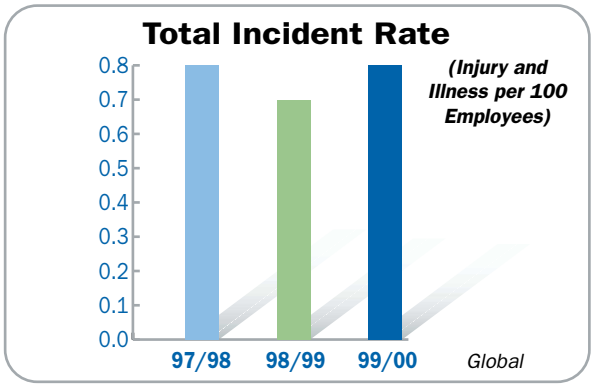
The health and safety of Procter & Gamble employees are paramount to the principles of the Company.

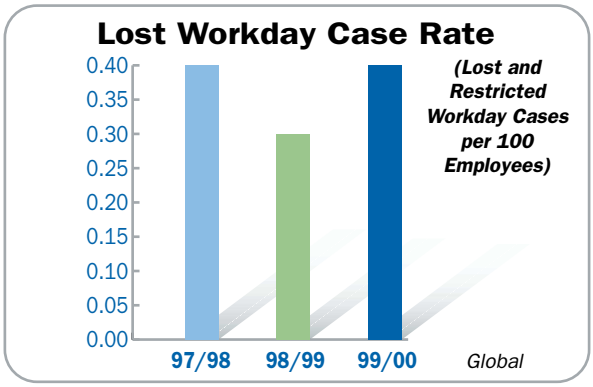
- *Nothing we do is worth getting hurt for.*
- *Safety and health can be managed.*
- *Every illness and injury could and should be prevented.*
- *Safety and health are everyone's responsibility.*

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

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

The following data are based on criteria established by P&G for use at all worldwide facilities. The data are representative of all our global sites.





1999 OSHA Results

The P&G U.S. manufacturing sites and technical centers have accomplished a remarkable inspection record with the federal Occupational Safety and Health Administration (OSHA).

We have gone four consecutive years (1996, 1997, 1998, 1999) without a serious citation. This performance is indicative of the strong programs and management systems at P&G.

While everyone at P&G should be proud of our OSHA record, the most important consideration is that the sites have developed systems that are protecting our employees, our facilities and our reputation.

Economic Development

Global Purchases

Procter & Gamble is a global company employing over 110,000 people worldwide. We produce our brands in nearly 140 plants in 46 countries around the world. We employ locally and purchase the majority of our raw materials within those regions where we manufacture our products.

HS&E Benchmarking

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

During the past year, P&G completed a major HS&E benchmarking study with 11 other multinational companies. This study, which was led by Pilko & Associates, included Ashland Inc., Celanese Ltd., Cognis N.A., Dow Chemical Company, Du Pont, Eastman Kodak, Millennium Chemicals Inc., Phillips Petroleum, Rhone-Poulenc Life Sciences, Rhodia, and Solutia Inc. It involved a detailed review of HS&E manufacturing and management systems/performance.

The top-line conclusions from this study indicated that P&G has:

- Strong HS&E performance within this group of 12 companies
  - Third lowest Injury/Illness Rate for employees
  - Fifth lowest Lost Workday Rate for employees
  - Fourth lowest penalties paid (in $/yr per $ billion sales)
  - Fourth lowest property loss (in $/yr per $ billion sales)
- The lowest HS&E operating costs (in $/yr per $ billion sales)
- 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
- Similar HS&E management systems, though its approach to information and training systems is somewhat simpler than the norm
- HS&E performance goals focused on improvement as compared to breakthrough

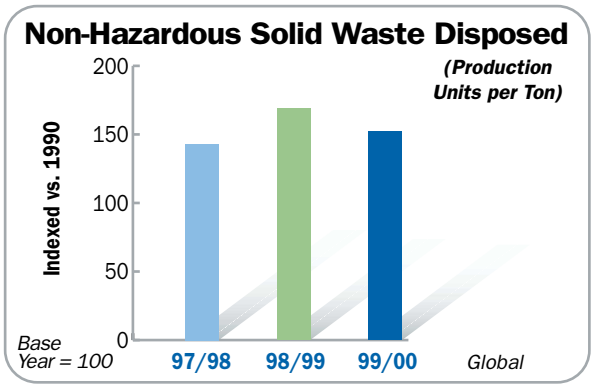
Net, P&G's current HS&E situation is quite positive when compared to these peer companies. The long-term challenge is to continue delivering benchmark results. To that end, a similar benchmarking study will be conducted during the next year.

Company-Specific Indicators

Environment

Non-Hazardous Solid Waste Disposed

Overall, the non-hazardous waste disposed to landfill, incinerated or treated has increased this year, resulting in a lower eco-efficiency. Much of the increase is from construction and demolition activities. Even though there has been an increase in waste generation, we have continued to save money in disposing of our waste. The increase in generated waste is from demolition-type waste, which is more economical to dispose of compared to other waste. The product-related solid waste has decreased as have the costs for disposing of our waste.

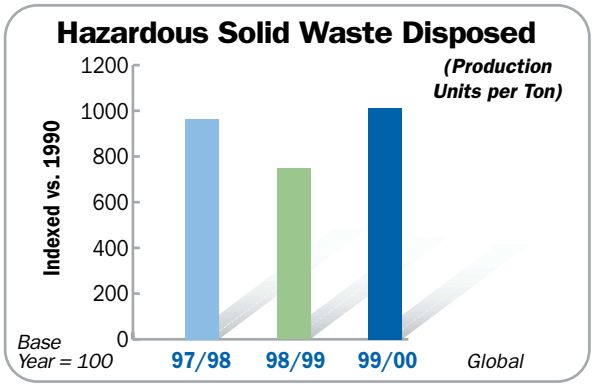


Neuss Designing Waste Out

The Neuss Tissues & Towel facility in Germany, working in collaboration with Engineering and Product Development, has designed waste out of its system. First, the site started reusing *"broke"* from a sister site in Orleans, France, saving valuable and expensive virgin pulp. Secondly, it changed to processes saving an extra 40 tons per year of waste going to landfill.

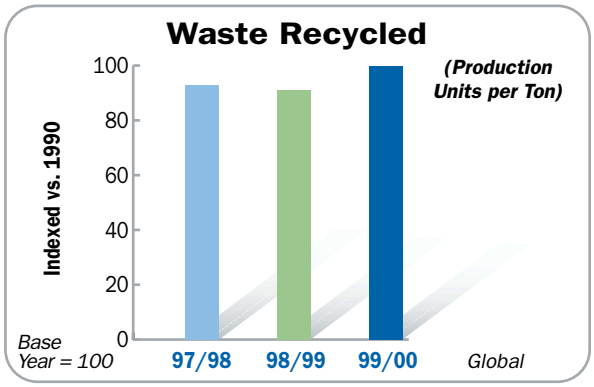
Hazardous Solid Waste Disposed

Globally, the reported hazardous waste has increased due to many international jurisdictions' expanding their definitions of hazardous waste. Hazardous wastes are defined by regional policies and local rules and thus vary among regions. In our U.S. sites, 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 our risks, the number of approved hazardous waste disposal sites that all U.S. plants use is limited. Similar programs have been started in many regions of the world.



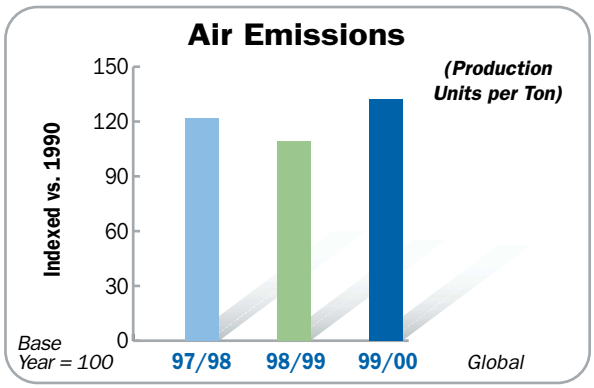
Non-Hazardous Waste Recycled

Recycling has been a significant effort within the Company, to minimize impacts on the environment. Over the past three years, the recycling rate has ranged from 56 precent to 67percent, and contributed $18-20 million in revenue annually. Every Global Business Unit, except Tissues & Towel, had a higher rate of waste recycling compared to 1990. For Tissues & Towel, the main reason the rate (waste recycled per production unit) is so much lower is the acquisition last year of two large plants that use recycled fiber. The subsequent waste fiber cannot be recycled a second time.



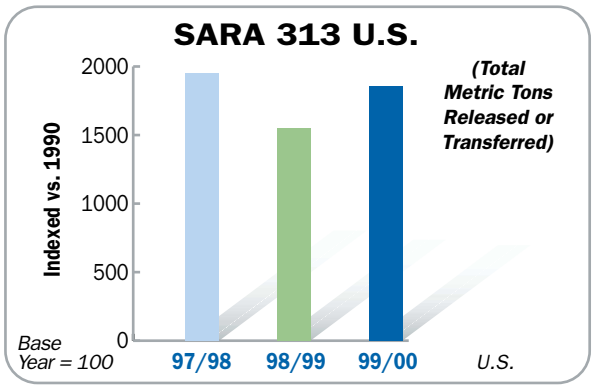
Air Eco-Efficiency

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 produced in metric tons per million production units has increased slightly from last year due to a global expansion in the Tissues & Towel business.



SARA 313 Releases (United States only)

U.S. 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 tons of SARA 313 releases have increased this year. The reason is three-fold: change in economically sensitive feedstock and raw materials; contamination of one of our raw materials; and four sites' exceeding thresholds for reporting.



Compliance with Laws and Regulations

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

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

	1999/2000	1998/99	1997/98
Number	48	46	54
Fines	$13,400	$33,250	$73,100

A breakdown of 1999/2000 Notice of Violations (NOVs) and Occupational Safety & Health Administration (OSHA) interventions follow:

	Number	Fines
Water based	25	$4,500
Air based	2	$500
Nuisance Ordinance	2	$7,700
Paperwork	7	$0
Worker safety (OSHA US Only)	12	$700
Total	**48**	**$13,400**

Most water-based NOVs were associated with the U.S. Clean Water Act and were wastewater related (e.g. pH, oil & grease) involving seven different sites, all of which discharge to municipal treatment systems.

Whenever a facility receives an NOV, Management determines the cause of the non-compliance issue and develops an action plan to prevent its recurrence. An internal audit group then works with the business management to ensure that the corrective action has been implemented. In the cases above, all the NOVs have been resolved.

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

Construction Safety Network Sites Surpass Industry Benchmark

P&G's Construction Safety Network is pleased to announce that Network sites have achieved a **Recordable Incident Rate (RIR) of 0.8** for calendar year 1999. This surpasses the 1997 "Best in Construction Industry" benchmark goal of 1.0 set as a target several years ago. This OSHA-based Incidence Rate is calculated as incidents per 200,000 effort hours (100 full-time employees).

More than 13 million effort hours were expended at network sites during 1999. Only two Lost Time Incidents occurred, resulting in a **Lost Time Injury Rate (LTIR) of 0.03.** Of the 40 sites involved in the Safety Network, **38 sites had no Lost Time Injuries** and **22 sites had no Recordable Injuries.** These results compare to a U.S. construction industry average of LTIR 4.0 and RIR 8.8 (1998 U.S. Bureau of Labor Statistics data).

The excellent results outlined above allow us to pool network sites and self-insure Workers Compensation and General Liability insurance. This has saved $26 million over comparable commercial insurance rates since inception of the program in 1993.

The Construction Safety Network includes professional Safety Managers from construction contractors active on P&G sites (mainly U.S.). The Network establishes and documents best work practices, delivers Construction Safety Management training, provides a Construction Safety audit team, analyzes incident information, and monitors system results. The Construction Safety Network is dedicated to an overall objective of zero incidents and has enabled continued improvement for all sites actively involved.

Social Equity

Performance Against Internal Standards

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

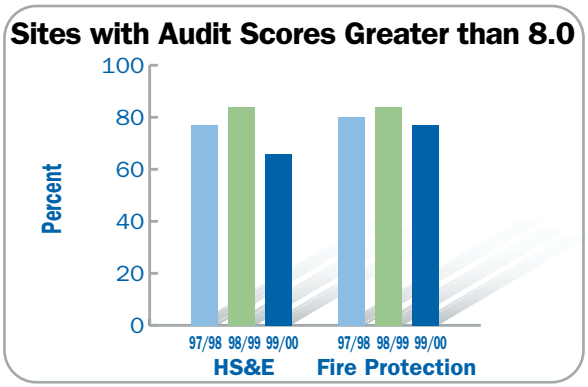
Audit Programs

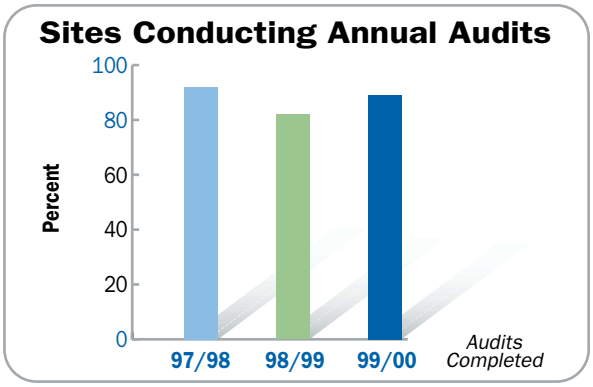
The P&G HS&E audit programs are designed to ensure compliance with federal, state and local regulatory requirements as well as corporate environmental standards and procedures. Audit findings are reported promptly to the business management teams, who must address and correct all issues in a timely manner.

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.

The results were negatively influenced by a large number of acquisition sites (12) in Health Care and Tissue/Towel. Each of the new sites has a grace period in which it has to come up to P&G standards.

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





Establishing Enzyme Handling Industry Standards & Best Practices

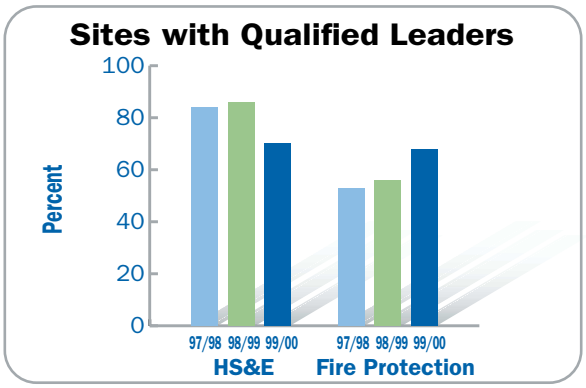
Enzymes continue to be a business-building chemical technology with new applications and business growth for P&G and the industry. Though enzyme-containing detergents are assessed to be safe for use by consumers, the handling of bulk quantities of enzymes at the manufacturing sites still represents well-documented potential risks to health under particular exposure conditions.

For more than 30 years, P&G has developed vast expertise on handling safely these bulk quantities. Special dust control technology has been developed as well as a series of strict operational control procedures, involving all employees, to ensure safe handling of enzymes. Exposure is monitored by high-volume air sampling and peak exposure monitoring. Employees undergo regular health surveillance to assure they are suffering no adverse health effects and to detect any health effects at a very early stage. All the learnings have been re-applied worldwide within P&G operations *(see Chinese example, following page)*. In addition, more recently P&G began sharing its expertise with its larger competitors and with small and medium sized enterprises to promote safe handling of enzymes throughout the detergent industry.

Currently, the major part of this information sharing and updating of existing practices — including recommended OEG's (Occupational Exposure Guidelines) — is being worked on within AISE, the European Soap and Detergent Industry Association. These new guidelines will be well-aligned with P&G's practices and technology requirements and will serve as the basis for global re-application. This will enable other companies globally to obtain hygiene safety results similar to P&G; i.e., no reported health effects related to the use of enzymes since full deployment of the program.

Site Leadership Training

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



Enzyme Handling in China

When P&G started enzyme handling in China in 1994, the local detergent industry did not have effective guidelines available for the handling of bulk enzymes. The industrial and occupational experts paid very little attention to safe enzyme handling.

P&G has taken the initiative to sponsor a Chinese industrial program on enzyme hygiene. The purpose is to provide education and technical support on good practices for handling enzymes to the Chinese detergent industry. As part of the program, we conducted an industrial survey on airborne dust and enzymes in plants in addition to providing training to local manufacturers on the measurement of enzyme exposure. Additionally, we share P&G's experience with Chinese experts on occupational hygiene to help them understand health effects of enzyme exposure and develop control measures in the detergent industry.

All these efforts are leading to the development of guidelines for the Chinese detergent industry on handling enzymes, which will greatly improve the protection of workers in the entire detergent industry.

Economic Development

Technology Donations, Fiscal Year 1999-2000

P&G's Technology Donation Program, began in October, 1999, gives patented technologies to universities and research institutions. The Company donates technologies that no longer fit into its strategic plans but would have great commercial potential when academically developed. Universities and research institutions can continue the research effort. Through technological development, they learn; through commercialization, they grow. And the world benefits. Following is a synopsis of some of the technologies, which have sustainability implications, that were donated this past fiscal year:

Technology	Recipient	Sustainability Contribution
Enhanced Paperboard Technology	Western Michigan University	• reduces wood fiber requirement by 25 percent. • can be fabricated for any paperboard application and many wood substitutions. • strength and moisture resistance of standard paperboard at about 10 to 15 percent lower weight. • enhanced paperboard costs 10-15% less than standard.
Smoothies-PPS Technology (Protein Particle Stabilization)	Mid-America Commercialization Corporation/ Kansas State University	• offers shelf-stable, nutritious milk/juice beverage products • reduces manufacturing costs of shelf-stable Smoothie beverages, making these nutritional products more affordable for consumers.

Letter from Gordon Brunner on Technology Donations

At P&G, innovation is our cornerstone. Each year, we invest more than $1.7 billion in research and development – the largest amount among consumer-products companies worldwide. As a result, we now have more than 27,000 patents – and we're granted 3,000 more each year. That's about 10 every day. That's terrific output and represents a powerful technical portfolio.

Through our Global Licensing group, we're identifying and donating non-strategic technologies to universities which can more fully develop their potential. Of the 25,000 patents we currently own, we commercialize fewer than 10 percent of them. Said another way, we have assets of tremendous value that the world is not fully realizing; we simply invent more than we can commercialize by ourselves.

Since last October, we've made three technology donations to well-deserving institutions. We first donated a rapid prototyping process for plastic packages and parts to the Milwaukee School of Engineering. Next, we donated our proprietary Enhanced Paperboard Packaging Technology to Western Michigan University. And, more recently, we donated our Smoothies-Protein Particle Stabilization (PPS) beverage technology to the Mid-America Commercialization Corporation for the benefit of Kansas State University and other cooperating institutions. Each of these donations included rights to our U.S. and global patents, and all of the intellectual development that we've already invested in them.

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

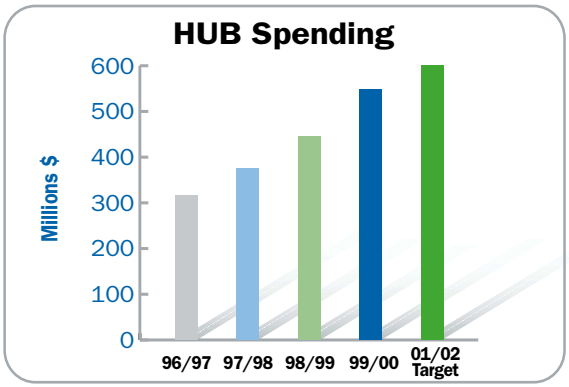
There are many examples of how P&G's talent reaches our community. Technology donations are yet another example. Through technology donations, we have found a new way to contribute P&G's money, people and energies for the long-term benefit of society and education. And that feels good. Just ask the inventors!

Gordon F. Brunner
Chief Technology Officier

Historically Underutilized Business Program

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

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



Final Year-End HUB spending is $548 million, a 23 precent increase vs. '98/'99.

P&G's purchases from minority businesses in the United States have grown from $76 million in fiscal year '88/'89 to $548 million in fiscal year '99/'00 (exceeding our goal of $540 million). The target for '01/'02 is $600 million, which would account for approximately 6 percent of our U.S. spending.

HS&E Program Costs

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

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

Capital costs for 1999/2000 were $68 million (up from last year's $44 million) to ensure compliance in our facilities. This included the purchase and construction of pollution control equipment such as wastewater pretreatment systems and air emission controls.

HS&E total costs for operating existing sites in 1999/2000 were $192 million (This does not include the $18 million in revenue gained from recycling activities.)

Environmental Liabilities

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

Sustainability in Action

Key Sustainability Focus Areas

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

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

Open Minds Program

According to UNICEF, in India only 55 precent of children complete primary education, about 60 percent of schools have only two teachers, and about 15 percent of schools are single-teacher schools.

Across Australia, ASEAN and India, some 79 million girls aged 6-11 and 61 million boys do not go to primary schools. In India, every child outside school is a potential child laborer, deprived of his or her right to education and self-development.

In November, 1999, P&G and UNICEF launched Open Minds, a special program targeted to support and educate children across seven countries in ASEAN/India. Across the region, P&G targets to raise up to $5 million over the next three years to help children develop and grow to realize their full potential.

- In Vietnam, Open Minds will support education programs.
- In Thailand, it will provide lunch to needy schoolchildren.
- In Indonesia, it will provide nutrition to undernourished children.
- In Singapore and Malaysia, it will build schools for disabled children.
- In the Philippines, it will provide computers and teaching aids in schools.
- And in India, it will send working children back to school.

For every large-size pack of Vicks VapoRub, Whisper, Ariel Powder Compact, Head & Shoulders and Pantene purchased by consumers November, 1999 to January, 2000, P&G, on behalf of the consumers, contributed the cost of one day's education of a working child to the Open Minds fund. P&G planned to raise a minimum of $250,000 for Open Minds in India in these three months.

Several external stakeholders joined us in these efforts. The customer and supplier partners of P&G pledged their support for this project. Saatchi & Saatchi Advertising provided the creative materials, and P&G's media partners (several satellite TV channels) also extended their support to communicate the cause of Open Minds to the general public. Not to be left behind, the employees of P&G voluntarily contributed one day's salary (about $7,500) towards the Open Minds fund.

Open Minds resulted in a 30 percent increase in volumes sold versus a year ago, and raised about $265,000 to support nine projects across India that benefited about 20,000 children. Open Minds is a cause-related marketing initiative that helps us contribute to building a strong and prosperous community through this investment in education for children.

For more information on Open Minds please visit:
www.open-minds.org.

Actonel® and the Impact Of Osteoporosis

Osteoporosis, a disorder that weakens bones, is common among older adults, particularly postmenopausal women. It is a disease that is reaching epidemic proportions. According to the U.S. National Osteoporosis Foundation, more than 50 million Americans may be affected by osteoporosis over the next century. It is estimated that 40 percent of American women will suffer an osteoporosis-related fracture in their lifetime. In the United States, expenditures for osteoporotic and associated fractures totaled an estimated $13.8 billion in 1995 alone.

P&G developed Actonel® for the treatment and prevention of postmenopausal osteoporosis (PMO) and glucocorticoid-induced osteoporosis. Results from five studies presented at the World Congress on Osteoporosis in June, 2000, showed that treatment with Actonel® consistently reduced the risk of spinal fractures in just one year across a patient population with varying degrees of osteoporotic disease severity. The rapid effects demonstrated by Actonel® – the only therapy proven to significantly reduce vertebral fractures in just one year – is particularly important in light of new data showing that nearly 20 percent of untreated women with postmenopausal osteoporosis who suffer a spinal fracture will fracture again within just one year, even if they are taking supplemental calcium and vitamin D. Patients with vertebral fractures also have nearly double the risk for fractures at other sites.

To date, 15 countries worldwide have agreed to recognize the approval of Actonel for the treatment of established PMO to reduce the risk of vertebral fractures, for the prevention of osteoporosis in postmenopausal women at increased risk of osteoporosis, and to maintain or increase bone mass in postmenopausal women undergoing long-term glucocorticoid treatment. This means that Actonel® can really improve the quality of life for a large number of people around the world.

Dash Missione Bontà Ospedale Amico

Dash is a reliable partner in helping Italian families with laundry problems; in fact, Dash consistently helps to solve social issues related to families and children.

In 1999, Dash dedicated its efforts in Italy to a fund-raising project, Missione Bontà Ospedale Amico, aimed at improving the quality of life for children in Italian pediatric hospitals, consistent with the UNICEF principles for hospital qualification. The whole project has been handled in conjunction with ABIO (Association for Children in Hospitals), an organization that, for 20 years, has given help to hospitalized children and their parents.

The funds raised have been invested to provide 28 Italian pediatric hospitals with more comfortable rooms, equipment and other facilities which can improve children's quality of life. It also trained 1,400 new ABIO volunteers.

P&G Posyandu Program Helps Malnourished Indonesian Children

Indonesia's economic crisis, which started in 1997, has had a devastating impact on the children. Many families can no longer afford the proper food to feed their children, leading to severe malnutrition. Millions of children are malnourished, and hundreds die every day. Failing to get proper nutrition at critical stages of development means that these children will grow up with irreversible mental and physical damage which is likely to trickle down through several generations.

Being a Company with a strong commitment to improve the quality of life in communities around the world, P&G responded to this immense social issue by creating a *P&G Posyandu* program. Essentially, a *Posyandu* is an integrated health and nutrition outpost. Children who come to our *Posyandu* are weighed every month so that their physical growth can be monitored regularly. In this way, malnourished children can be identified early, and appropriate treatments can be given. The mothers are also given the necessary health, hygiene and nutrition counseling to enable them to provide proper care for their children. To supplement all these, the children are given nutritious food, immunizations and medical examinations.

The *Posyandu* program began in November, 1999, and is currently in operation at two different locations. One serves the community at our Bekasi plant and the other at our Distribution Center. Every month these Posyandus take care of 700 to 800 children. It is the largest and first-ever Posyandu in the country run by a private-sector company.

The *Posyandu* program would not have come alive without the strong support of P&G employees serving as volunteers. These volunteers form the backbone of the program. They give their personal time, one Saturday morning every month, to run the *Posyandus.* Their dedication and enthusiasm have been apparent throughout; starting with 50-plus volunteers, their number has now tripled. Their spouses and relatives come to help, too. This is a true reflection of their dedication to ensure that those unfortunate children, the future of this nation, receive adequate nutrition and health care to allow them to grow and develop properly. It is a manifestation of P&G employees' strong commitment to make a difference in the community where they live and work.

P&G volunteers distribute nutritious food.

Ace Gentle Bleach — Winter in Kosovo

To give assistance to the victims of the Kosovo war, during the toughest winter this land has ever known, was the objective of the 1999 Ace Gentle fundraising campaign.

P&G decided to be actively committed and available to a humanitarian program, to provide strong and concrete solutions to an extremely serious problem, hoping to attract the attention of humanitarian aid.

The funds raised have been used to help supply the United Nations High Commission for Refugees with 2,500 "shelter kits" for distribution to the Kosovo population. The shelter kits contained equipment necessary for repairs to homes damaged during the fighting and allowed thousands of families and refugees to at least have a roof on their house to face winter.

Fairy Liquid Antibac (AB) and UNICEF — Vaccination Campaign In Senegal

Antibacterial and disinfectant household products like Fairy AB, used in conjunction with good washing/cleaning habits and practices, are playing an important role in helping to control bacteria in the developed countries. However, infectious diseases still constitute a primary threat to public health (at a significant socio-economic cost) in many parts of the world.

In March 1999, the Iberian Fairy Liquid brand sought a humanitarian program that fit with its technology and equity. A vaccination campaign was the answer. However, we wanted an initiative that would be meaningful from the social point of view. We also wanted support of relevant health authorities.

We found many reasons to choose tuberculosis (TB) from the World Health Organization's (WHO) list of vaccine-preventable diseases:

- TB is an infectious disease caused by a bacteria that is spreading rapidly in many parts of the world. WHO has classified it as a Global Emergency. The figures are concerning:
  - The estimated global incidence of TB is 7.9 million cases per year, of which 2.6 million prove fatal (1997);
  - TB is the leading infectious killer of youth and adults;
  - Someone gets sick from TB every four seconds, and someone dies every 10 seconds;
  - TB kills more than 100,000 children each year; 1 percent of the world's population is infected with TB each year, and one-third of the world's population is infected with the TB bacillus. Thirty million people could die from TB in the next 10 years.
- WHO is monitoring this epidemic and helping countries around the world to improve their TB control programs through regional and national vaccination campaigns.
- One single dose of BCG (Bacillus Camille Guerin) vaccine provides life immunity in most cases, and it only costs about 10 cents! WHO recommends that all countries with a high incidence of TB infection immunize babies with a single dose of BCG vaccine at or soon after birth.
- UNICEF is responsible for implementing vaccination campaigns for infants and has the right infrastructure already in place in most countries.

UNICEF-Spain agreed to work with us on a vaccination program in Senegal, one of the poorest countries in the world with a high incidence of TB. The idea was simple but powerful: We buy one dose of BCG vaccine per bottle of Fairy AB sold, and UNICEF will ensure that one child is vaccinated. The donation was to providing at least *1 million vaccines.* The initiative was well-accepted not only by Spanish and Portuguese consumers who understood that they were making a difference in fighting the disease, but also by the trade who actively supported the campaign with in-store visuals (like the one shown below). We succeeded in tripling the initial objective in just three months, and *three million vaccines* were finally shipped to Senegal.

We are now ready to initiate the second vaccination campaign. Other countries are also developing plans to implement similar humanitarian projects. This demonstrates our commitment to helping find ways to bring value to our shareholders and contribute to the prosperity and well-being of the overall society.

P&G Turkey's Earthquake Relief

In August, 1999, Turkey was rocked by a major earthquake. Many people and businesses were affected by the disaster, including our own employees, their families and P&G's facilities.

Following the first shocks, P&G Turkey cooperated with the National Foundation for the Protection of Children to establish four child care centers and to provide food, Prima diapers and Orkid catamenials. P&G Turkey also cooperated with the Turkish Infection Foundation to send three truckloads of Ace bleach with spraying equipment. P&G Turkey's parent company donated $500,000 to disaster relief through the American Red Cross.

To aid our own employees and their families, P&G Turkey provided monetary support and opened tents at the Gebze paper plant's garden.

Finally, P&G employees from all over the world voluntarily donated $30,000 to the "Life Project," which is organized by the Turkish Education Volunteers Foundation.

P&G Philippines Works with UNICEF on Water Sanitation

Beginning in 1997, P&G Philippines partnered with UNICEF to provide better water access to 87,000 people in the Philippines. P&G and UNICEF collaborated with local government units to build community water facilities in 10 areas over a period of three years. The water facilities include showers, toilets, laundry areas and public wells.

The National Health and Hygiene Program is an alliance with the Department of Education, Culture and Sports; Department of Health; KBP, an association of media broadcasting networks, the Philippine Association of Medical Technologists; the Philippine Hospital Association; the Philippine Medical Association; and UNICEF. The program aims to reduce the incidence of hygiene-related diseases through proper hygiene. As such, the program highlights the importance and practice of the Three Steps to Good Health (handwashing, bathing and keeping the surroundings clean) in school curricula and community visits.

The Three Steps to Good Health are recognized as the simplest yet most effective way to prevent diseases such as cholera, diarrhea and typhoid fever. But practice of these hygiene habits is hampered because of limited access to safe water. Studies show access to tap water and artesian wells is only 39 percent and 54 percent, respectively. The rest of the population get their water from surface sources such as rivers and streams.

To date, P&G Philippines and UNICEF have built a total of 236 toilet facilities and 40 water supply systems that service 11 communities and 25 schools across the nation. Another 132 facilities are scheduled to be completed within the year 2000.