P&G

Linking Opportunity with Responsibility

Sustainability Report – Executive Summary

2004

CEO Statement

Earning Your Trust

Fair dealing and doing what's right for the long term are fundamental at P&G. It's how P&G people have done business for generations. It's at the heart of the trust our Company and our brands have earned – and must continue to earn every day, everywhere – from consumers, business partners, and the communities in which P&G people live and work. It is the essence of P&G's integrity and leadership.

Preserving and strengthening P&G's reputation is every employee's job. It starts with business performance: We must deliver reliable, consistent growth. We met this challenge in fiscal 2004 with results that culminated in increasingly strong performance over the past three years. Since July 2001, P&G cumulative sales have grown 30 percent, and they exceeded $50 billion for the first time ever, this past year. Earnings per share have grown more than 40 percent cumulatively in the past three years, and the Company's cumulative Total Shareholder Return has increased more than 80 percent since July 2001.

These are solid results, but we know that consistent financial performance is only one part of our responsibility as a company. It is necessary but not sufficient. To continuously earn trust, we must grow with integrity, and we must lead in ways that fulfill our Purpose of improving consumers' everyday lives.

Growing with integrity requires ethical business conduct everywhere we do business. This can be a demanding challenge in an organization of 110,000 people in nearly 80 countries. One important way we respond to this challenge is by clarifying the Company's expectations for how we operate through our Worldwide Business Conduct Manual, which we have updated and are redeploying this year to reflect changes in our own organization and in the world around us. It includes clear principles, standards, examples, and resources to guide behavior everywhere we operate. We consider it imperative that every employee understand that P&G will not tolerate illegal or unethical behavior. While we value and expect business results, we place equal value on how we achieve those results.

We also strive to earn the trust of shareholders, business partners, and other stakeholders by fulfilling our Purpose. In the letter that follows from George Carpenter, Director of P&G Corporate Sustainable Development, you'll learn of the most recent steps we've taken to improve consumers' everyday lives – now and for generations to come.

P&G is committed to fulfilling its responsibility to all our stakeholders. And P&G people are dedicated to making P&G a company of great results and – equally important – of great values and character.

A. G. Lafley

Chairman of the Board,
President, and Chief Executive

Vision

Creating Corporate Social Opportunity
We have just completed a year of tremendous progress toward our vision that P&G can link business opportunity with corporate responsibility to create a concept we call "corporate social opportunity." We believe that we can build our businesses while contributing our part to help address some of the toughest global health and social issues.

In last year's Sustainability Report, I identified three key challenges that P&G faces as we work toward this vision:

1. To create new businesses with sufficient scale to fund research and development and market-development costs.
2. To develop new business models appropriate to lower-income, developing-country markets.
3. To lower costs to make products affordable in undeveloped markets that lack large-scale supply chain and distribution efficiencies that are normal in richer, developed markets.

P&G's safe drinking water work is a good example of the progress we're making in all three areas. We've chosen this as a key focus area based on the United Nations Millennium Development Goal of providing improved access to safe drinking water.

First, this is a new business opportunity for P&G, with the potential scale to reach millions of people who today do not have access to safe water. It is based on a simple and affordable technology developed in collaboration with the U.S. Centers for Disease Control and Prevention (CDC). The product has been shown in health trials conducted by the CDC to reduce diarrheal illness by up to 50 percent. The product is called PUR Purifier of Water and treats even heavily contaminated drinking water so it meets World Health Organization (WHO) standards.

Second, we are developing new business models based on effective public-private partnerships. P&G has joined with USAID, Johns Hopkins University, Population Services International (PSI), and CARE to form the Safe Drinking Water Alliance. This is a $5 million effort to learn how to best provide P&G's safe drinking water technology, using three different models: a commercial model in Pakistan, a social model in Haiti, and an emergency relief model implemented most recently in Ethiopia.

- In May, we launched PUR in the Sindh province of Pakistan using P&G's commercial distribution infrastructure. We augmented this with more than 1,400 educators and a broad alliance of global and local partners to help people understand the importance of safe drinking water to the health of their families.

- In Haiti, we're working with PSI, a nonprofit NGO, to reach into areas where economic and infrastructure constraints limit our ability to pursue a commercial model. This is a great example of reaching new consumers and new markets, and we plan to expand this model in the coming year with new partnerships in sub-Saharan Africa.

- We are working with UNICEF, AmeriCares, the International Rescue Committee, CARE, and other global relief groups to provide the product to people who need safe drinking water because of natural disasters and conflict situations. Through our partners, we have provided more than 30 million liters of safe drinking water this past year to help in some of the world's worst disasters, including the Bam earthquake in Iran and the devastating floods in Haiti and the Dominican Republic.

Third, the low cost of the product – about the price of an egg in many poor countries – and our partnerships with governments and NGOs, are creating ways to make this product affordable in undeveloped countries not benefiting from economies of scale or distribution channels that penetrate rural markets. The social model described above that is being used in Haiti and Africa is an example of this.

We are only starting to turn our vision into reality. But imagine a world where corporations, in partnerships with civil society and government, can significantly deliver on the UN Millennium Development Goal of addressing the world's most critical health issues. This improvement in society will provide the foundation for sustainable growth.

In June, we were honored to receive a World Business Award in support of the UN Millennium Development Goals, from the International Chamber of Commerce, the UN Development Program, and the International Business Leaders Forum for our safe drinking water program. This is motivation to continue on our journey to bring corporate social opportunity to life.

George D. Carpenter

Director
Corporate Sustainable Development

P&G Profile

For 166 years, P&G has been providing trusted, high-quality brands that make every day better for the world's consumers. The Company markets nearly 300 products (Global Key Brands are listed below) in more than 160 countries around the world.

P&G's worldwide headquarters is located in Cincinnati, Ohio, U.S.A. The Company has on-the-ground operations in almost 80 countries worldwide and employs nearly 110,000 people.

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

As of July 30, 2004, there were approximately 1,426,000 common stock shareholders, including shareholders of record, participants in the Shareholder Investment Program, participants in P&G stock ownership plans, and beneficial owners with accounts at banks and brokerage firms.

This is the sixth Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 2003, through June 30, 2004. Last year's report covers the July 1, 2002, through June 30, 2003, time period. Financial information is given in U.S. dollars.

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

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

Global Key Brands

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

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

Building for the Future

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

$1 Million Net Sales

Regional U.S. Markets

1837 1840 1850 1860 1870

Key Indicators

Key Sustainability Focus Areas

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

To bring our sustainability efforts to life, we decided to focus on areas in which we can most effectively make a positive difference and which can involve all our businesses and regions. After much internal and external discussion, we selected two areas:

- Water
- Health and Hygiene

P&G's work in these areas entails

- Reaching consumers we have never reached, such as in the rural villages and urban slums of the developing world.
- Creating new products responding to the needs, frustrations, and aspirations of those new consumers and selling those products at an affordable price.
- Exploring new business models, often with new supply and distribution systems to lower cost and extend reach.

Major Opportunities and Impacts Associated with Products and Services

Environmental Protection

- Resource Use
- Water
- Waste Reduction

Social Responsibility

- Health
- Hygiene
- Education

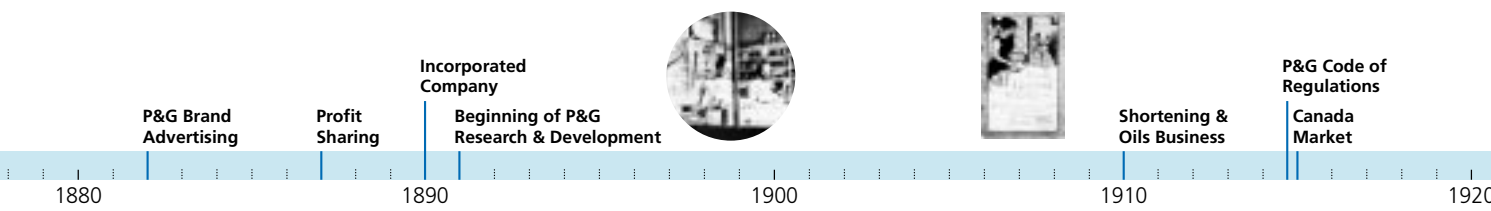
Economic Development

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

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

All waste units are in thousands of metric tonnes unless otherwise noted.†	Totals			2004 Global Business Unit Detail*				
	2004	2003	2002	**BFC**	**FHC**	**BC**	**HC**	**SB**
Production								
Product Shipped	**18,471**	17,055	16,151	4,132	10,072	1,332	1,367	1,568
Raw Materials from Recycled Sources	**102**	119	208	102	0	0	0	0
Waste								
Generated Waste	**817**	793	798	428	155	148	42	44
Percent Recycled / Reused Waste	**56%**	52%	54%	61%	51%	53%	48%	52%
Disposed Waste								
Solid Waste								
Non-Hazardous	**300**	317	304	153	52	60	19	16
Hazardous	**21**	9	19	1.4	14.4	3.8	1.4	0
Effluents (Excluding Water)	**21**	35	23	4.0	7.4	5.5	1.0	3.0
Air Emissions**	**16**	24	20	10.2	2.8	0.4	0.5	2.0
Other								
Energy Consumption (10^5 GJ)¶	**731**	758	706	470	146	51	32	32
Greenhouse Gas Emissions** ¶	**2,937**	3,122	3,148	2,087	464	159	116	111
Water Consumption (million cubic meters)	**79**	86	85	54.0	14.1	5.2	1.8	3.4
SARA Releases (metric tonnes)***	**1,843**	1,567	1,274	0.12	1,345	39	459	0

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



P&G's Billion-Dollar Brands

Financial Highlights

Amounts in millions except per-share amounts	**2004**	2003	2002
Net Sales	**$51,407**	$43,377	$40,238
Selling, General, and Administrative Expenses	**16,504**	13,383	12,571
Income Taxes	**2,869**	2,344	2,031
Net Earnings	**6,481**	5,186	4,352
Basic Net Earnings Per Common Share[1]	**2.46**	1.95	1.63
Total Assets	**57,048**	43,706	40,776
Long-Term Debt	**12,554**	11,475	11,201
Shareholders' Equity	**17,278**	16,186	13,706

[1] Restated for two-for-one stock split effective May 21, 2004.

Philanthropic Contributions

P&G and its employees have a long-standing commitment to being good citizens and neighbors in all places where we do business around the world. We believe we have a responsibility to use our resources – money, people, and energy – wisely. We show our commitment through financial support and volunteerism.

Our historic focus on communities with P&G operations has grown into a commitment to improving the lives of children in need.

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

	2004	2003	2002
Total	**$103,647,125**	$84,572,906	$77,746,930

Diversity Data – Global Enrollment

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

Global Enrollment % Female	**2004**	2003	2002
Management	**36.7**	35.5	34.6
All Other Employees[1]	**36.9**	37.1	41.6

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

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

	2004	2003	2002
% Minorities			
Management	**18.8**	18.0	16.1
All Other Employees[2]	**19.5**	19.8	20.3
% Female			
Management	**35.4**	34.8	34.4
All Other Employees[2]	**38.9**	38.7	38.0

[2] Administrative, Technical, and Plant Technicians

Occupational Health & Safety Data

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

Total Incident Rate
Injury and illness per 100 employees

	2004	2003	2002
Total	**0.55**	0.54	0.67

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

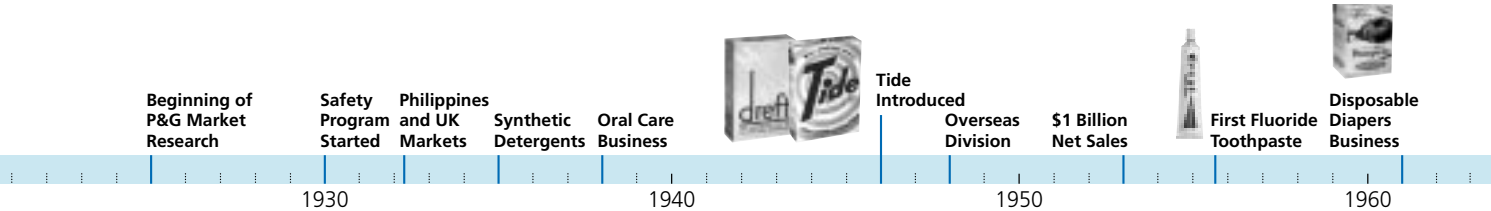
	2004	2003	2002
Total	**0.21**	0.22	0.27

Summary of Violations and Interventions

The table lists global data on environmental, transportation, and worker health and safety violations over the past three years.

	2004	2003	2002
Number	**64**	67	45
Fines	**$28,320**	$154,756	$39,026

The number of fines stayed about the same as last year while the severity, as measured by fines, fell more than 80 percent. Transportation-related incidents continue to be a focus area.



Sustainability in Action

P&G's Safe Drinking Water Program
One of the UN Millennium Development Goals is to halve the proportion of people without access to or able to afford safe drinking water by 2015. Today, more than a billion people lack access to safe drinking water, so meeting this target is a significant challenge. It requires that at least 125,000 unserved people be connected to safe water supplies each day.

An estimated 2 million children each year – 5,000 each day – die because of diarrheal diseases, many of which could be prevented with safe drinking water. Though efforts are underway around the world to bring safe and sufficient water services to these people, P&G has a way to bring clean water right now to those not yet reached. We do this with a new product we invented called PUR Purifier of Water.

PUR is a low-cost, simple-to-use water treatment system for household use. PUR's technology and ingredients are based on those used in municipal water treatment systems in the developed world. The product is ideal for the developing world because it costs one U.S. cent to purify a liter of water.

PUR comes in a sachet that gets mixed with 10 liters of water. In a few minutes, dirt and other contaminants separate from the water. The water gets poured through a filter cloth and stands for 20 minutes. This process removes pathogenic bacteria, viruses, and parasites. The result is clean, safe water that meets World Health Organization guidelines.

PUR was developed by the Procter & Gamble Health Sciences Institute in collaboration with the U.S. Centers for Disease Control and Prevention. In tests in Guatemala, Pakistan, and Kenya, PUR reduced the incidence of diarrhea by up to 50 percent. In a test in Bangladesh, PUR reduced the poisonous arsenic from well water so it met local safety standards.

New Tide Economizes on Rinse Water
An innovative new Tide product in the Philippines is saving water in households that rinse laundry manually. Instead of having to rinse soapy clothes three or four times, consumers rinse only once if they use Tide 1-Banlaw (Tide 1-Rinse, in English).

In the Philippines and other developing countries, consumers often wash by hand or in semi-automatic machines that don't rinse. Doing laundry may require carrying water to the laundry area as well as repeated wringing. The strenuous physical requirements of rinsing can cause hand and back pain.

In the Philippines specifically, many households receive only limited water and only during limited hours. Rinsing three or four times can get expensive or may not even be possible.

Filipino housewives typically do laundry three to five times a week, with each session lasting two to three hours.

Tide 1-Banlaw dramatically conserves water as well as time and effort, freeing women to do other things for their families.

Because some consumers try to cut down on rinsing by using less detergent than necessary, their wash often comes out dingy. With Tide 1-Banlaw, they're more likely to use the correct amount of detergent, resulting in cleaner wash. The product's formula also helps with this by preventing minerals and particulates in the water from depositing on the clothes.

Tide 1-Banlaw uses a new silicone technology. It is being test marketed in Davao and is expected to be sold throughout the Philippines and also in other countries where hand rinsing is common.

Tide 1-Banlaw provides a major lifestyle improvement for Filipinos.

Affirmative Action
Environmental Audit Program
Toll-Free Consumer Hotline
$10 Billion Net Sales
Feminine Protection Business
Statement of Purpose
World Environment Center Award
1st Annual Global Environment Report Opportunity 2000 Award
Future Shares 1998–2001
Clairol Acquisition 2001
WELLA
Wella Acquisition 2004

1970 1980 1990 2000

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

P&G's Statement of Purpose

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

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

P&G Values

Leadership
Ownership
Integrity
Passion for Winning
Trust

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

Principles

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

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

on the Web

Please visit these Web sites:
For further information about the GRI, http://www.globalreporting.org

For the latest P&G news and shareholder and career information, http://www.pg.com

For the full 2004 Sustainability Report, http://www.pg.com/sr

On the Cover
A mother and child in Haiti drink clean water because of P&G's Safe Drinking Water Program. Please see the Sustainability in Action section for more details.

Global Editor Cindy Mastin, U.S.A.
Core Report Team Ina Andreasen, Denmark
Angela Vanegas, Venezuela
Lucy Bogaerts, Belgium
Bea Buyle, Belgium
Dionisis Kolokotsas, Belgium
Anne McConnell, Canada
Chris Smith, U.K.
Robin Tollett, U.S.A.
Pam Wright, U.S.A.
Shinobu Yasutake, Japan
Copy Editor Jan Sherbin, Cincinnati, Ohio, U.S.A.
Design Andy Ruttle, David Hess – Ruttle Design Group
Cincinnati, Ohio, U.S.A.

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Contact
Cindy Mastin
Corporate Sustainable Development
1 Procter & Gamble Plaza
Cincinnati, Ohio 45202 U.S.A.
E-mail sustainrep.im@pg.com

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

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

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