Sustainability Report

Executive Summary

2005

P&G

Linking Opportunity with Responsibility

CEO Statement

Improving the quality of life for children in need is a powerful and tangible way to bring P&G's Purpose to life

Touching Lives, Improving Life
P&G's Purpose is to improve consumers' lives day in and day out. Fulfilling this Purpose sustains our Company's growth year in and year out. One of the most important ways we fulfill our Purpose – beyond our brands and products – is through the work we do, as a Company and as individuals, in communities around the world.

In 2004, P&G donated more than $100 million to support philanthropic efforts. We've asked ourselves whether our efforts and dollars are working as hard as they can. We've concluded that we can make a bigger, more enduring difference by focusing P&G philanthropy more sharply on helping children in need to *Live, Learn and Thrive*.

We want to help children *live* by ensuring a healthy start; to provide them with places, tools, and programs that enhance their ability to *learn*; and to help them develop skills for life so they can *thrive*. Improving the quality of life for children in need is a powerful and tangible way to bring P&G's Purpose to life.

As you will read in this report, we are collaborating with global partners such as UNICEF and the World Health Organization, with national governments, and with NGOs to offer programs around the world that support the development of children in need from birth through age 13.

We have also established safe drinking water for children as P&G's corporate signature program of our *Live, Learn and Thrive* efforts. With the U.S. Centers for Disease Control, we have developed technology that can purify even heavily contaminated drinking water with a single sachet that costs pennies and treats 10 liters of water. This is critical because 5,000 children die every day from diseases caused by unsafe drinking water.

These are among the most visible examples of P&G's commitment to being a leader in global sustainable development. As you'll read in the letter that follows from George Carpenter, P&G Director of Sustainable Development, we are making progress in developed and developing countries alike – and we are even more encouraged by the opportunities we see in the years ahead.

We welcome your interest in our efforts and achievements and remain dedicated to touching lives and improving life in all that we do. It's our Purpose and our business.

A.G. Lafley

Chairman of the Board,
President, and Chief Executive

Vision

We continue to be deeply committed to the promise of sustainable development

Corporate Social Opportunity – Fulfilling P&G's Purpose
Six years ago, P&G embraced the concept of sustainable development. We challenged conventional wisdom that companies should limit their sustainability efforts to reducing the negative impacts of pollution, waste, child labor, and poor working conditions. We contended that these efforts were necessary but not sufficient – and we stepped up to a bigger opportunity: to help achieve the U.N. Millennium Development Goals of safe drinking water and sanitation, reductions in child and mother mortality and morbidity, and quality of life for slum dwellers and women and girls in the developing world.

While we remain humbled by the scale of poverty and disease and lost human opportunity that the world faces, we feel we are making progress toward our vision of sustainable development.

- Over the past year, P&G's water purification technology and our *Children's Safe Drinking Water* program have delivered the equivalent of 220 million liters of safe drinking water into both disaster relief situations and in new social markets. With partners such as UNICEF, Samaritan's Purse, World Vision, International Rescue Committee, CARE, Red Cross, and AmeriCares, we have helped respond to some of the most critical global emergency situations, including the tsunami in Asia, hurricanes in the Caribbean, floods in the Philippines and Bangladesh, and the refugee crisis in Chad and Sudan. Johns Hopkins University has shown that our technology reduced diarrhea by more than 90 percent in a Liberian refugee camp.

- We're not just making donations of product and technology, and then leaving. We are building market-based partnerships that will sustain the delivery of safe drinking water. We are partnering with Population Services International (PSI), the U.S. and UK governments, and Johns Hopkins University to create social markets in Haiti, Pakistan, and Uganda – countries where the emergencies may be less dramatic, but where the need for safe drinking water is equally severe. In these countries, PSI is using its substantial distribution and marketing capability to reach rural villages and urban slums.

Last year also saw a new developed-world execution of our sustainable development model to provide social and environmental benefits with high-performance products that offer good economic value.

- P&G launched Tide Coldwater in North America, Ariel CoolClean in the UK, and Ariel Actif à froid in France, with cleaning technology to give consumers the performance they want, energy savings, and environmental improvement. This is an important innovation because washing clothes is one of the most energy-intensive activities in the home, and heating water can be as much as 95 percent of that energy. In Europe, washing clothes in cold water could save nearly 3 percent of household electricity use. In the United States, cold-water washing could save 10 percent of the total energy consumed by all domestic appliances – and generate 26-34 million tons of greenhouse gas reductions.

We're encouraged by the progress we are making but even more encouraged by the potential that remains. We continue to be deeply committed to the promise of sustainable development because we know that by improving lives in small but meaningful ways day after day, we fulfill P&G's Purpose and sustain our Company's growth year after year.

George D. Carpenter

Director
Corporate Sustainable Development

P&G Profile

For 167 years, P&G has been focused on providing branded products of superior quality and value to improve the lives of the world's consumers. We believe this will result in leadership sales, profits, and value creation, allowing employees, shareholders, and the communities in which we operate to prosper.

P&G's worldwide headquarters is located in Cincinnati, Ohio, U.S.A. The Company markets more than 300 branded products in more than 160 countries. We have on-the-ground operations in 80 countries and employ nearly 110,000 people.

P&G is a publicly owned company. Its stock is listed and traded on the New York and Paris exchanges.

As of July 29, 2005, there were approximately 1,608,000 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 seventh Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 2004, through June 30, 2005. 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):

- P&G Beauty
- P&G Family Health
  - Baby Care and Family Care
  - Health Care
- P&G Household Care
  - Fabric Care and Home Care
  - Snacks and Coffee

Global Key Brands

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

Global Business Unit	Detail	Key Brands
P&G Beauty	Cosmetics, Deodorant, Feminine	Pantene, Always, Whisper, Olay, Head & Shoulders, Tampax, Herbal Essences,
	Care, Fine Fragrances, Hair	Nice 'n Easy, Natural Instincts, Wella, Koleston, Wellaflex, Shockwaves,
	Care, Hair Colorants, Personal	Cover Girl, SK-II, Rejoice, Hugo Boss, Max Factor, Old Spice, Safeguard,
	Cleansing, Professional Hair	Secret, Lines Feminine Care, Zest, Lacoste, Vidal Sassoon, Ivory, Aussie, Evax,
	Care, Skin Care	Camay, Infusium 23, Naturella, Ausonia, Noxzema, Infasil, Laura Biagiotti, Sure
P&G Family Health	Baby Care, Family Care, Oral	Pampers, Charmin, Crest, Bounty, Iams, Eukanuba, Actonel, Vicks, Prilosec OTC,
	Care, Personal Health Care,	Luvs, Asacol, Kandoo, Dodot, Puffs, Tempo, Metamucil, Fixodent, PUR, Scope,
	Pet Health and Nutrition,	Pepto-Bismol, ThermaCare, Didronel, Kukident, Blend-a-Med
	Pharmaceuticals	
P&G Household Care	Coffee, Commercial Products	Tide, Ariel, Downy, Lenor, Pringles, Folgers, Dawn, Fairy, Joy, Gain, Ace, Swiffer,
	Group, Fabric Care, Home Care,	Mr. Clean, Febreze, Dash, Bold, Cascade, Cheer, Bounce, Millstone, Bonux,
	Snacks	Linidor, Daz, Era, Flash, Dreft, Vizir, Salvo, Viakal, Myth, Alomatik

17
Billion-Dollar Brands

Building for the Future

1837
William Procter and James Gamble, Founders, Candle & Soap Business

1859
$1 Million Net Sales

1863
Regional U.S. Markets

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			2005 Global Business Unit Detail*		
	2005	2004	2003	**P&G B**	**P&G FH**	**P&G HC**
Production						
Product Shipped	**19,580**	18,471	17,055	**2,547**	**5,265**	**11,768**
Raw Materials from Recycled Sources	**71**	102	119	**0**	**71**	**0**
Waste						
Generated Waste	**831**	817	793	**159**	**480**	**192**
Percent Recycled / Reused Waste	**58%**	56%	52%	**58%**	**61%**	**49%**
Disposed Waste						
Solid Waste						
Non-Hazardous	**280**	300	317	**56.0**	**165.0**	**59.0**
Hazardous	**22**	21	9	**3.3**	**3.2**	**15.2**
Effluents (Excluding Water)	**22**	21	35	**6.7**	**7.4**	**8.2**
Air Emissions**	**26**	16	24	**1.1**	**9.8**	**15.5**
Other						
Energy Consumption (10^5 gigajoules)	**816**	731	758	**100**	**524**	**192**
Greenhouse Gas Emissions**	**3,282**	2,937	3,122	**456**	**2,188**	**638**
Water Consumption (million cubic meters)	**83**	79	86	**6.0**	**55.8**	**21.6**
SARA Releases (metric tonnes)***	**1,722**	1,843	1,567	**40**	**349**	**1,333**

† 1 metric tonne = 1,000 kg = 2,205 lbs.

* **P&G B = P&G Beauty**.
P&G FH = P&G Family Health.
P&G HC = P&G Household Care.

** 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.

1882 P&G Brand Advertising
1887 Profit Sharing
1890 Incorporated Company
1891 Beginning of P&G Research & Development
1910 Shortening & Oils Business
1915 P&G Code of Regulations
Canada Market

1880 1890 1900 1910

Financial Highlights

Amounts in millions except per-share amounts	**2005**	2004	2003
Net Sales	**$56,741**	$51,407	$43,377
Selling, General, and Administrative Expenses	**18,010**	16,504	13,383
Income Taxes	**3,182**	2,869	2,344
Net Earnings	**7,257**	6,481	5,186
Basic Net Earnings Per Common Share	**2.83**	2.46*	1.95
Total Assets	**61,527**	57,048	43,706
Long-Term Debt	**12,887**	12,554	11,475
Shareholders' Equity	**17,477**	17,278	16,186

* 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 neighbors in places where we do business around the world. We show our commitment through both financial support and volunteerism.

This year alone, P&G and The P&G Fund contributed more than $100 million to support our communities.

Our commitment has evolved to now focus on a corporate cause we call *P&G Live, Learn and Thrive*. *P&G Live, Learn and Thrive* focuses on the development of children in need ages 0-13. It does this by building on P&G's range of competencies, products, and existing programs to: help children in need ***live*** by ensuring they have a healthy start; provide access to educational facilities, tools, and programs that enhance their ability to ***learn***; and provide access to programs that build self-esteem and life skills so they can ***thrive***. *P&G Live, Learn and Thrive* comes to life through a number of programs benefiting children in need in local communities around the world, including through our global corporate signature program, *Children's Safe Drinking Water*.

Diversity Data – Global Enrollment

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

Global Enrollment % Female	**2005**	2004	2003
Management	**38.0**	36.7	35.5
All Other Employees[1]	**38.4**	36.9	37.1

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

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

	2005	2004	2003
% Minorities			
Management	**19.6**	18.8	18.0
All Other Employees[2]	**18.7**	19.5	19.8
% Female			
Management	**36.3**	35.4	34.8
All Other Employees[2]	**39.6**	38.9	38.7

[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

	2005	2004	2003
Total	**0.47**	0.55	0.54

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

	2005	2004	2003
Total	**0.17**	0.21	0.22

Summary of Fines and Violations

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

	2005	2004	2003
Number	**80**	64	67
Fines	**$147,400**	$28,320	$154,756

The number of fines and violations increased over last year due to one site. Plans are being implemented that will eliminate a recurrence.

1925 Beginning of P&G Market Research
1930 Safety Program Started
1932 Philippines and UK Markets
1935 Synthetic Detergents
1938 Oral Care Business

1946 Tide Introduced
1948 Overseas Division
1953 $1 Billion Net Sales

1955 First Fluoride Toothpaste

1961 Disposable Diapers Business

1920 1930 1940 1950 1960

Sustainability in Action

PUR and the Children's Safe Drinking Water Program

P&G's PUR Purifier of Water presents opportunities unlike other P&G brands. PUR can clean even heavily contaminated water: It kills viruses and bacteria that cause typhoid and cholera. It effectively reduces parasites, pesticides such as DDT, heavy metals such as arsenic, and other dangerous contaminants. In short, PUR has the ability to improve and even save lives in the developing world.

P&G's main challenges regarding PUR are providing it where it's needed and ensuring its long-term use. This includes teaching people how to use the product, and collaborating with public health organizations in the poorest parts of the world. P&G teams with partners such as Population Services International (PSI), which markets health care products in developing countries around the world on a nonprofit basis. These partnerships help P&G make connections in communities, distribute PUR at no cost in emergencies, and sell PUR at cost for everyday use.

Jemima Odo, in the Nyanza Province of western Kenya, thanks P&G for providing PUR Purifier of Water for her village. Odo has HIV/AIDS. "For people with HIV," she says, "we are prone to stomach problems. Since I've used PUR, the stomach problems have gone."

With her strength returned, Odo raises seven orphans who lost their parents to AIDS and visits churches and youth groups to teach about HIV and safe drinking water. To support the orphans, she buys PUR at low cost from the Society for Women and AIDS and sells it at a profit to her neighbors.

Cool-Water Washing Makes New Energy Savings Possible

There's an energy-saving laundry revolution going on. With Tide Coldwater in the United States and Canada and Ariel Actif à froid (Ariel Cold Active) in France, both launched in early 2005, plus Ariel CoolClean, launched mid-2004 in the UK, P&G is making it possible for consumers to turn down the temperature dial of their washing machines, as they no longer need hot water to get the laundry clean.

Lowering wash temperatures can save significant amounts of energy and cost. Estimates are that a North American household can save up to 20 percent of the energy it uses to heat water. A French household can reduce its electricity usage by up to 3 percent.

Government agencies and NGOs are teaming up with P&G in France and the United States to promote washing in cool water.

Jemima Odo

The global corporate signature program for P&G's *Live, Learn and Thrive* is *Children's Safe Drinking Water*. It addresses the more than 5,000 children who die every day from diseases caused by drinking unsafe water.

1965 Affirmative Action
1970 Environmental Audit Program
1974 Toll-Free Consumer Hotline
1978 $10 Billion Net Sales
1982 Feminine Protection Business
1987 Statement of Purpose
1992 World Environment Center Award
1993 1st Annual Global Environment Report
1994 Opportunity 2000 Award
1998 Future Shares
2001 Clairol Acquisition
2004 Wella Acquisition
WELLA
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 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.

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[1] Definition from UK 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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