P&G

2002 Sustainability Report
Executive Summary

Linking Opportunity with Responsibility

Visit http://www.pg.com/sr for the full report.

A. G. Lafley's Statement

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

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

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

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

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

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

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

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

Vision

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

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

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

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

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

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

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

We are pleased to share with you our progress.

George D. Carpenter
Director
Corporate Sustainable Development

P&G Profile

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

P&G's worldwide headquarters is located in Cincinnati, Ohio, USA. The Company has on-the-ground operations in almost 80 countries worldwide and employs nearly 102,000 people.

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

As of July 26, 2002, there were 1,004,000 common stock shareholders, including shareholders of record, participants in the Shareholder Investment Program, participants in P&G stock ownership plans, and beneficial owners with accounts at banks and brokerage firms.

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

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

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

Key Brands

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

Building for the Future

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

$1 Million Net Sales

Regional U.S. Markets

1837 1840 1850 1860 1870

Key Indicators

Key Sustainability Focus Areas

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

- Water
- Health and Hygiene

Our actions are not just profit-driven but also progress-driven, to ensure a better quality of life for everyone, now and for generations to come. P&G is particularly well positioned to do this because we are in touch daily with the needs of the world's consumers.

Major Opportunities and Impacts Associated with Products and Services

Environmental Protection

- Water
- Resource Use
- Waste Reduction

Social Responsibility

- Health
- Hygiene
- Education

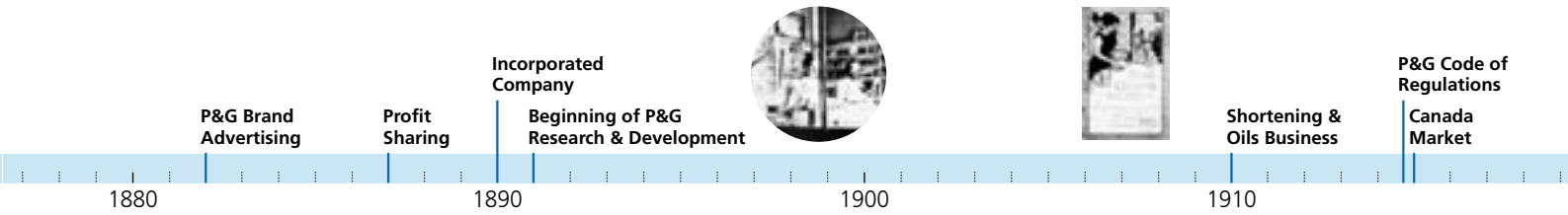
Economic Development

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

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

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

† 1 metric ton = 1,000 kg = 2,205 lbs.
* BFFC = Baby, Feminine, & Family Care; FHC = Fabric & Home Care; BC = Beauty Care; HC = Health Care; FB = Food & Beverage
** Air emissions include particulates, SO_2, NOx, CO, and VOC whereas greenhouse gas emissions include CO_2 from fuel combustion sources.
*** Releases defined in the U.S. Superfund Amendments and Reauthorization Act by the U.S. Environmental Protection Agency.



Financial Highlights

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

Philanthropic Contributions

P&G and its employees have a longstanding commitment to being good citizens and neighbors in all the places where we do business around the world. We believe we have a responsibility to society to use our resources – money, people, and energy – wisely. We show our financial commitment through support for a wide range of educational, health, social service, cultural, civic, and environmental organizations. Worldwide, P&G has a corporate contributions system that coordinates contributions to local communities.

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

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

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

P&G's contributions and community activities are an important part of achieving the Company's purpose of improving the lives of the world's consumers. During the past year, P&G through The P&G Fund has provided support to more than 1,500 organizations.

Diversity Data – Global Enrollment

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

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

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

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

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

[2] Administrative, Technical, and Plant Technicians

Note: These numbers include the recent Clairol acquisition.

Occupational Health & Safety Data

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

Total Incident Rate
Injury and illness per 100 employees

	2002	2001	2000
Total	**0.67**	0.69	0.79

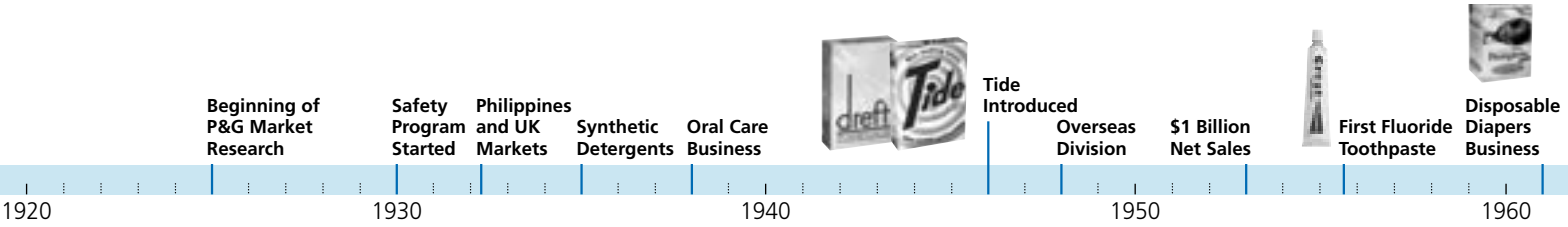
Total Lost Workday Case Rate
Lost and restricted workday cases per 100 employees

	2002	2001	2000
Total	**0.27**	0.24	0.35

Summary of Violations and Interventions

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

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



Sustainability in Action

Give Kids the World –
Making Dreams Come True
Imagine a place where all your meals are served in a gingerbread house, where a rabbit named Clayton is mayor, where you eat ice cream anytime you want, and where Christmas is celebrated every Thursday.

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

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

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

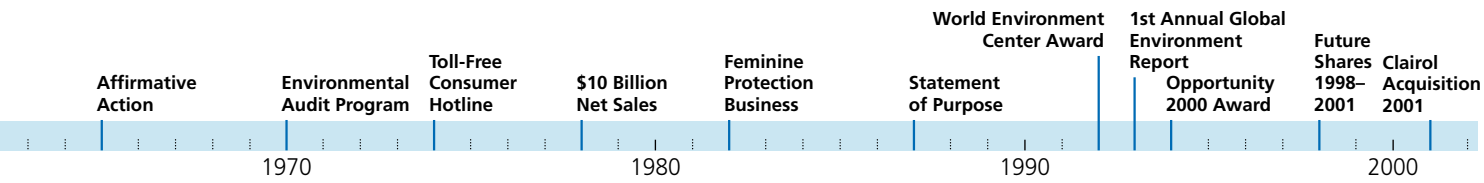
Give Kids the World winner Vanessa Alvarez poses with Tide's Winston Cup driver Ricky Craven in front of the Tide racing car.

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

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

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

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



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

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

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

Values

This report was prepared using the Global Reporting Initiative's (GRI) June 2000 Sustainability Reporting Guidelines. The mission of the GRI is to promote international harmonization in the reporting of relevant and credible corporate economic, environmental, and social performance information to enhance responsible decision making. The GRI pursues this mission through a multistakeholder process of open dialogue and collaboration in the design and implementation of widely applicable sustainability reporting guidelines. The GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein.

on the Web — For further information about the GRI, please visit www.globalreporting.org

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

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

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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

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