P&G

Executive Summary

2000 SUSTAINABILITY REPORT

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

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

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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

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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.

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*

} *Paper Group*

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

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

Key Indicators

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

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						
	1999/2000	1998/99	1997/98	BBC	BC	FHC	FC	FB	HC	TT
Production										
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

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

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

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.

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

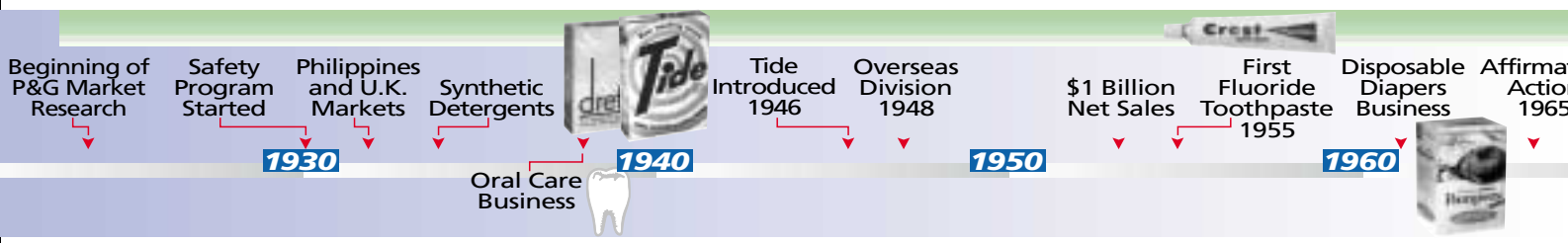
(lost & restricted workday cases per 100 employees)

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



Sustainability in Action

Open Minds Program

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.

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.

Dash Missione Bontà Ospedale Amico

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.

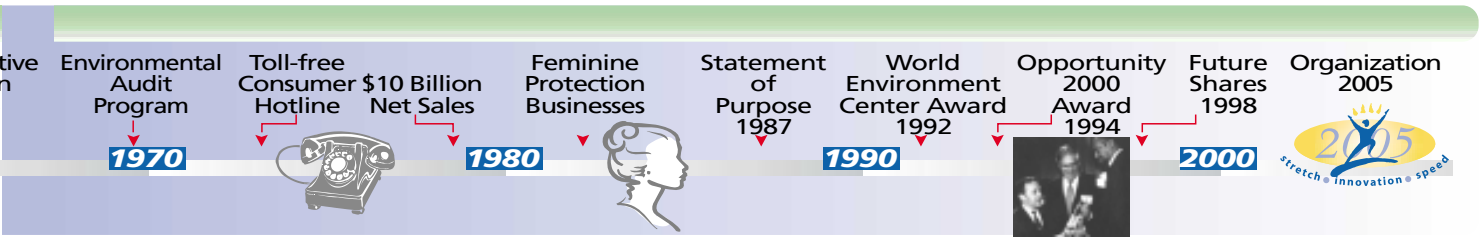
The funds raised have been invested to provide 28 Italian pediatric hospitals with more comfortable rooms, equipment and other facilities which can improve children's quality of life. It also trained 1,400 new ABIO volunteers.

Actonel® and the Impact Of Osteoporosis

Osteoporosis, a disorder that weakens bones, is common among older adults, particularly postmenopausal women.

P&G developed Actonel® for the treatment and prevention of postmenopausal osteoporosis 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.

This means that Actonel® can really improve the quality of life for a large number of people around the world.



Statement of Purpose

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

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

Core Values

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 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***

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

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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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