



Executive Summary

2001 SUSTAINABILITY REPORT



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CEO and Chairman's Statement

The men and women of P&G share a deeply felt purpose: to improve the lives of consumers in every part of the world. One important way in which we fulfill this purpose is through our commitment to the concept of sustainable development, or sustainability, which we believe is integral to both P&G's future business success and to a truly better quality of life for all the world's consumers – now and for generations to come.

Sustainability is an important way for us to leverage the power of innovation and global markets for the benefit of everyone – not just those in the developed world. We cannot condemn developing countries to a life of poverty so those in the developed world can maintain their lifestyles. But neither do we have to presume that the only alternative is for the developed world to reduce its quality of life. When we concede to such a notion, we erect barriers to progress. We pit the developed and developing worlds against one another and create an adversarial environment in which there are opposing sides, not common purpose. As a result, progress stalls or moves only incrementally, and two-thirds of the world's population continues to live on the fringes of existence.

There is an alternative. It is based on the premise that we can make markets work for everyone and ultimately make lives better in every part of the world. In this report, you will find many examples of P&G's contributions to a better quality of life through the creation of new products, new markets and addressing new consumer needs. For example:

- pregnancy education to reduce maternal mortality
- Actonel for the treatment and prevention of postmenopausal osteoporosis
- dental hygiene education to improve oral health
- a partnership with UNICEF to combat tuberculosis

Another important issue we would like to address is how the global economic environment has impacted our business. Fiscal 1999/00 was a difficult year for P&G and for its many employees around the world. A strong plan was put in place to re-establish the balance between top-line revenue growth and bottom-line earnings growth. However, over the past fiscal year, we continued to face a challenging economic environment, with a slowing U.S. economy and the possibility of a recession. Key economies around the globe were also slowing – Japan, some countries in Europe, some of the developing markets. In order to restore P&G's ability to compete more effectively and to grow more consistently, the previous restructuring program was expanded to further reduce overhead costs, resulting in staffing reductions across the Company.

When downsizing becomes necessary, as it did this past fiscal year, we manage employee separations in ways that are consistent with our values and principles. We maintain focus and priority on our strong commitment to the diversity of our organization. P&G uses a voluntary separation program to maximize voluntary attrition. The program, which includes severance pay based on years of service, continuation of health care benefits for the severance period, outplacement support services and a retraining allowance, provides a bridge for separating employees to retirement or employment elsewhere.

These efforts have translated into improved competitiveness by controlling costs and managing cash more effectively, and resulted in getting P&G's business back on track and growing again. We've refocused on our biggest brands, in our biggest markets, with our biggest customers. We've strengthened the value of our brands for consumers. We've made strategic choices about which businesses P&G should be in and which it should not.

We have only just started down our road to sustainable development, but already we can see how P&G benefits when we improve the lives of the world's consumers, now and for generations to come.

A. G. Lafley
President and Chief Executive



John E. Pepper
Chairman of the Board





From the beginning, P&G's embrace of Sustainable Development has been based on our vision that we can grow the business, shareholder and stakeholder value of P&G by bringing to the marketplace innovations and technologies that address the frustrations and aspirations of consumers at all levels of the economic pyramid. Since then, we have been on a steep learning curve in our attempt to bring sustainability to life for our business managers as well as our external stakeholders. I want to share some of our learnings with you.

Our first, and most important, learning came in our efforts to define the concept of sustainability as a way to ensure better quality of life for everyone, now and for generations to come. This is an effort on which we have been focused for two years, and we are encouraged by how many people – in business, government and non-governmental organizations – are not only embracing this concept, but also seizing upon it to pursue common solutions, and not just common problems. People relate to the idea of a “better quality of life” at an emotional level. They have their own ideas about what a better quality of life means for them and their children and for those less fortunate than themselves. At P&G, we now use this definition exclusively.

Our second learning was the importance of talking about sustainability as an opportunity, not an issue to be managed. We recognized this difference and developed our approach to sustainability accordingly. When meeting with our business leaders to discuss how sustainable development relates to their businesses, we stress the opportunity that flows from “ensuring a better quality of life.” When talking with external stakeholders, we share ideas on how to improve lives. We find people begin talking about creative solutions, new partnerships and new business opportunities that come from addressing the aspirations and problems of consumers all over the world.

However, as we focus on building new top-line value for P&G, we have maintained our historical attention to how we run our business – our health, safety and environmental management, product safety programs and community relations efforts. In this year's report, you will see:

- P&G's environmental compliance and employee safety performance are at historical best levels
- P&G was rated the No. 1 company in the non-cyclical consumer products sector by the Dow Jones Sustainability Group Index
- Business Ethics magazine rated P&G first in its annual list of 100 Best Corporate Citizens

Our approach to sustainability is a simple but enormously motivating way to think about our responsibility as a company. It is fully consistent with our Purpose, Values and Principles; thus, a perfectly natural way for us to behave. Living up to such a challenge can be difficult, but it is a challenge we embrace. And we are pleased to share our progress with you.

George D. Carpenter
*Director, Corporate
Sustainable Development*





P&G Profile

P&G markets approximately 250 brands of consumer products to nearly five billion consumers in more than 130 countries. The products include laundry detergents, toothpastes, shampoos, feminine hygiene products, pharmaceuticals, snacks, diapers, cosmetics and cold remedies. P&G products are best known by their brand names: Pampers, Tide, Ariel, Always, Whisper, Pantene, Bounty, Pringles, Folgers, Charmin, Downy, Lenor, Iams, Olay, Crest, Vicks and Actonel.

P&G's worldwide headquarters is located in Cincinnati, Ohio, U.S. The Company has on-the-ground operations in more than 80 countries and employs nearly 106,000 people worldwide.

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 31, 2001, there were 1,090,000 Common Stock shareholders of record, including participants in the Shareholder Investment Program. Five billion shares of Common Stock have been authorized. About 1,295,738,000 shares were outstanding as of July 31, 2001.

This is the third Sustainability Report for P&G's worldwide operations. Data in this report covers the period from July 1, 2000, through June 30, 2001. Financial information is given in U.S. dollars.



As part of P&G's restructuring 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).

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

Key Brands

Fabric & Home Care

ACE BLEACH AND
PREWASH

ARIEL
BOUNCE
CASCADE
CHEER
DASH
DAWN
DOWNY
DRYEL
ERA
FAIRY
FEBREZE
JOY

LENOR
MR. CLEAN
TIDE
SWIFFER

Feminine Care

ALWAYS
ALLDAYS
TAMPAX
WHISPER

Food & Beverage

CRISCO
FOLGERS
JIF
MILLSTONE
OLEAN
PRINGLES

SUNNY DELIGHT
SPIRE
ECLIPSE

Health Care

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

Baby Care

BABYSAN
DODOT
LUVS
PAMPERS
PAMPERS & LUVS
BABY WIPES

Beauty Care

COVER GIRL
IVORY
MAX FACTOR
OLAY
OLD SPICE
PANTENE PRO-V
PERT PLUS
REJOICE
SAFEGUARD

SKII
SECRET
VIDAL SASSOON
ZEST

Family Care

BOUNTY
CHARMIN
PUFFS
TEMPO

Building for the Future



1837



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



1850

\$1 Million
Net Sales
1859

Regional U.S.
Markets



1860

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 of the Company's global business units and the core drivers for sustainability: environmental protection, social responsibility and economic development. While P&G continues 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 work force
- 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 and Services

Environmental Protection

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

Social Responsibility

- Health
- Hygiene
- Education

Economic Development

- Shareholder Value
- Employment
- Taxes, Fees and Contributions

Manufacturing Resource & Waste Summary

All units are in thousands of metric tonnes unless otherwise noted. 1 tonne = 1,000 kg = 2,205 lbs.

Measure	Total			2000 / 2001 Global Business Unit Details				
	2000 / 01	1999 / 00	1998 / 99	BC	BFFC	FHC	FB	HC
Production								
Product Shipped	15,808	13,936	13,269	893	3,510	8,248	2,179	978
Raw Materials from Recycled Sources	208	476	380	0	208	0	0	0
Waste								
Generated Waste	910(830)*	879	863	57	472	140	214(134)*	27
Percent Recycled / Reused Waste	51%	55%	56%	34%	65%	62%	39%	54%
Disposed Waste								
Solid Waste — Non-Hazardous	376(296)*	317	271	27	199	29	113(33)*	8.0
Solid Waste — Hazardous	13	12	27	3.3	0.9	8.0	0.2	0.5
Effluents (Excluding Water)	36	39	31	3.7	7.4	11.1	11.2	2.1
Air Emissions	15	19	20	0.5	6.3	2.4	5.5	0.4
Other								
Energy Consumption (10 ⁵ GJ)	1,068	1,080	967	43	656	216	110	43
Water Consumption (MM cubic meters)	88.1	87.0	83.4	4.9	55.8	15.8	9.0	2.6
SARA Releases (1,000 tons)**	1.7	1.9	1.6	0.02	0.01	1.2	0.08	0.41

* Waste from process sources decreased. Total wastes would be 80,000 metric tonnes less if demolition wastes were excluded.

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

NOTE: BC - Beauty Care; BFFC - Baby, Feminine, & Family Care; FHC - Fabric & Home Care; FB - Food & Beverage; HC - Health Care



Financial Highlights

(Millions of dollars except per-share amounts)

	2000/01	1999/00	1998/99
Net Sales	\$39,244	\$39,951	\$38,125
Marketing, Research & Administrative Expenses	\$12,406	\$12,483	\$10,845
Income Taxes	\$1,694	\$1,994	\$2,075
Net Earnings	\$2,922	\$3,542	\$3,763
Basic Net Earnings Per Common Share	\$2.15	\$2.61	\$2.75
Total Assets	\$34,387	\$34,366	\$32,192
Long-Term Debt	\$9,792	\$9,012	\$6,265
Shareholders' Equity	\$12,010	\$12,287	\$12,058

Philanthropic Contributions

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 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 in place 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:

	2000/01	1999/00	1998/99
Total	\$27,503,686	\$28,292,768	\$27,585,008

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 are shown in the following table:

Global Enrollment % Female

	2000/01	1999/00
Management	34.5	34.1
All Other Employees*	38.0	39.3

* The category of "All Other Employees" continues to be an evolving global database as more of P&G's plants are included. The database is expected to be complete by 2001/02. Changes in this category between 1999/00 and 2000/01 are reflective of the addition of more plant sites, which tend to have higher levels of male enrollment.

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

	% Minorities			% Female		
	2000/01	1999/00	1998/99	2000/01	1999/00	1998/99
Management	15.8	15.9	15.8	34.1	33.7	33.1
All Other Employees (Administrative, Technical and Plant Technicians)	18.4	18.8	18.5	38.8	39.7	39.9

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)

2000/01	1999/00	1998/99
0.69	0.79	0.79

Total Lost Workday Case Rate

(lost & restricted workday cases per 100 employees)

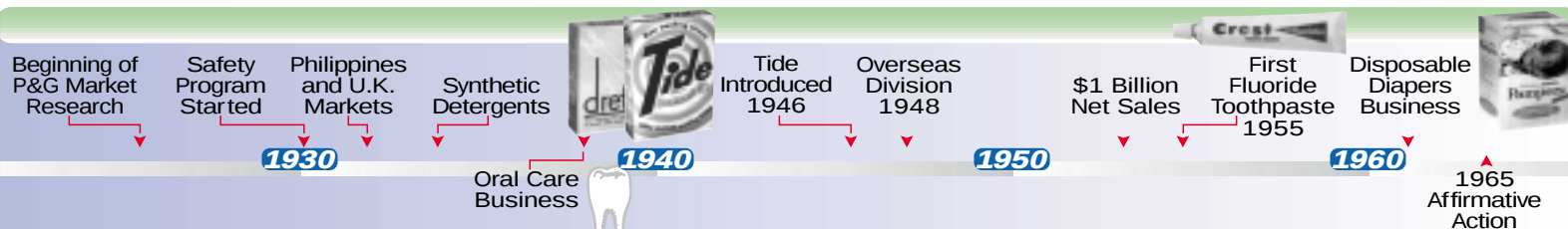
2000/01	1999/00	1998/99
0.24	0.35	0.37

Summary of Violations and Interventions

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

	2000/01	1999/00	1998/99
Number	73	48	46
Fines	\$77,070	\$13,400	\$33,250

The increases in fines and violations this year are related to transportation of hazardous materials.





Sustainability in Action

South Africa Hands-On Pregnancy Education Program

The maternal mortality rate in South Africa is exceptionally high resulting in 150 deaths per 100,000 live births. South Africa's women are 12 times more likely to die from complications during pregnancy than their European and U.S. counterparts. The five main causes of maternal mortality are non-pregnancy related sepsis, hypertension, obstetric hemorrhage, pregnancy related sepsis, and pre-existing maternal disease.

Last year Pampers and the South African Department of Health (DoH) jointly developed the Hands-On program to educate and empower couples about these issues. The program was rolled-out at eight test sites in both rural and urban public hospitals and clinics.

This initial program was extremely successful, and the DoH has asked the program be made available to everyone. Pampers has led a fundraising campaign among industry to raise ZAR 1 million (\$122,000) to provide 1,500 clinics and hospitals with the program. The rollout of the national Hands-On program should be completed within two years.



Secret To Self-Esteem Program Enters Third Year

The mission of the Secret to Self-Esteem Program is to help young girls become strong women by building self-esteem. In 1998, P&G's Secret anti-perspirant and The Partnership for Women's Health at Columbia University created the program with the objective of providing teen girls with the practical skills and solutions to build healthy self-esteem.



This year, the program will reach thousands of teen girls through symposia and other events. The Secret to Self-Esteem

Program also sponsors a nationwide essay contest and scholarship program designed to recognize girls who exemplify feminine strength.



For the first time in their lives, people in the village of Dalocha, Ethiopia, have access to clean drinking water.

Dash Missione Bontà

Dash, the leading laundry brand in Italy, has been developing and supporting social initiatives for almost 15 years. All Dash social plans are named Missione Bontà (Goodwill Mission) and are targeted to improve the quality of life of children.

In Africa, Dash has sponsored programs in Kenya (Mille Lire per un Mattone - 1,000 Lire for a Brick) to build a village for the education and care of children, in Ethiopia (Mille Lire per un Aiuto - 1,000 Lire for a Helping Hand) to provide the residents of Dalocha with access to clean drinking water, and in Angola (Scuola per L'Angola - School for Angola) to help educate teachers and children.

Over the past two years, Dash has focused attention towards Italian children (Ospedale Amico) and has worked in hospitals to comfort children. A new Dash campaign will be launched later this year.

Environmental
Audit
Program

1970

Toll-free
Consumer
Hotline



\$10 Billion
Net Sales

1980

Feminine
Protection
Businesses



Statement
of
Purpose

1987

World
Environment
Center Award

1992

1990

1993
1st Annual Global
Environment Report

Opportunity
2000
Award

1994

Future
Shares

1998-
2001

2000

Dow Jones
Sector Leader
&
Business
Ethics
Ranked #1
2001

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 the GRI, please visit: <http://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>

2001 SUSTAINABILITY REPORT

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FRONT COVER: Children gather outside a school supported by the Dash Goodwill Mission – School for Angola program.

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