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P&G RESOURCE

Executive Summary - LTIP Decision and Recommendations

2024 LTIP Award Payment Preference Decision

For those employees who receive Long-Term Incentive Plan awards, the election window is now open. The choice is between a combination of stock options and/or restricted stock and must be made within your Executive Compensation portal by August 22. It is important to know your choices from previous years do not carry forward to this year.

What is the difference between the two choices?

Stock Options:

A stock option represents the right to buy a share of P&G stock at a point in the future for the stock price on the day of the grant. This right begins three years from the grant date and lasts until 10 years from the day of the grant. You can decide to buy the shares any time within this seven-year period. Assuming you can buy the shares at a lower price than the stock is trading at, the shares can then be immediately sold at the new higher price, and you keep the profit minus taxes where applicable. The entire exercise process can be done online and does not require any up-front money from you.

As the market price of P&G's stock changes, so does the potential value of each stock option. As the market price increases, so does the value of the option because you can purchase P&G stock at a price below market value. Similarly, if the market price decreases, so does the value of the option. If the market value of P&G stock is lower than the grant price, the stock options will have zero monetary value at that point. However, the options would still have time value, which should not be neglected.

Restricted Stock Units (RSUs)

A restricted stock unit (RSU) represents one share of P&G stock that will be delivered to you in three years. For example, if you are granted 100 RSUs, you will receive 100 shares of P&G stock three years later (minus shares that will be sold to cover your taxes). At the time of vesting, three years post-grant date, the value at the time of vest will be subject to ordinary income taxes, and you can decide to keep the shares or sell them. Unlike stock options, these are full shares of P&G stock that retain value even if the stock price declines over time.

Considerations

Effectively, you have five choices on how to take your payment:

- 100% Stock Options and 0% RSUs
- 75% Stock Options and 25% RSUs
- 50% Stock Options and 50% RSUs
- 25% Stock Options and 75% RSUs
- 0% Stock Options and 100% RSUs

There are a handful of considerations that need to be taken into account when making this decision:

- **Diversification:** RSUs allow you to diversify your P&G stock after three years at a potentially more stable value, while stock options can increase your exposure with greater upside potential.
- **Upside:** Stock options are leveraged and can provide much greater upside if you think the value of P&G stock will increase over 10 years, while restricted stock simply moves in tandem with the P&G stock price.

- **Cash Needs:** RSUs allow you to have a better sense of value at the end of the three-year vest date and can provide liquidity for any upcoming cash needs.
- **Outside Investments & Diversification:** Do you have investments outside of P&G stock to help meet other goals? How are these invested and how do they correlate with P&G stock? Due to RSUs providing a more stable value in a shorter time period, the cash proceeds post-sale allows for further investment diversification.
- **Risk:** Stock options may carry greater upside potential but can also carry greater risk with the potential of expiring worthless if they expire after 10 years below the grant price.

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[P&G Restricted Stock Units](#)

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