

STOCK OPTIONS

Use this guide to understand what stock options are and how to use them.

What Stock Options Are

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 (grant price). This right begins three years from the grant date (vesting date) and lasts until ten years from the day of the grant (expiration date).

You can decide to buy the shares any time within the seven year period (option exercise). 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.

Terms Used In This Guide

Expiration date: The last day on which you can exercise your stock options. P&G stock options currently expire 10 years after grant date.

Grant date: The date the award is made to the employee. This is also the date used to determine the grant price of a stock option.

Grant price: The fixed price at which you can purchase a defined number of P&G shares during the option term. The grant price is determined based on the closing price for P&G stock on the New York Stock Exchange on the grant date.

Grant value: The total amount of the grant, which is determined by multiplying the number of stock options by the grant price.

Option exercise: The purchase of some or all of the stock from options that have been granted. Option exercises must be done after the grant has vested and prior to the end of the option term. After P&G shares are purchased, you can retain or sell some or all of the shares. Except in a few countries where prohibited by law, stock options can be purchased through a cashless exercise in which you can get net cash or net shares with no cash outlay on your part.

Option term: The active life of a stock option. P&G stock options currently have an option term of 10 years. At the end of 10 years, the stock options expire.

Profit: The gross amount of the gain (before taxes) resulting from the exercise of the stock option.

Vesting date: The first day that you can exercise your stock options. P&G stock options currently vest three years after the grant date. Vesting provisions can vary slightly in some countries due to local tax circumstances.

Stock Options Example

Assume that you are given a stock option at a grant price of \$60. At some point in the future (after the vesting date) you decide to exercise your right to buy the shares at \$60. The stock price is currently \$90, which means your stock option has gained \$30.

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Vesting and Expiration Considerations

Vesting and expiration dates are an important feature of stock options. Vesting requires you to wait a certain amount of time before you can do anything with your stock options. Awards are currently vested after three years. Before being vested, you have no access to any potential gain in stock value.

Stock options expire after 10 years. After being vested, you can exercise the stock option or wait as long as 10 years if you think the stock price will continue to appreciate. However, if you do not exercise your stock options within 10 years of the grant date, you will lose them.

Value of Stock Options

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 have the ability to purchase P&G stock at a price below market rates. Similarly, if the market price decreases, so does the value of the option. If the market value of P&G stock happens to be lower than the grant price, the stock options will have zero value at that point in time.

If You Leave P&G

- **STAR stock options:** You get to keep stock options taken in the STAR program even if you voluntarily leave the company if you

comply with the terms and conditions of the P&G Stock Plan, such as the non-compete provisions.

- **Key Manager stock options:** If you are employed through June 30 following the grant date, then leave as a retirement or company approved special separation, you can keep the stock options for full life if you comply with the terms and conditions of the P&G Stock Plan. For all other separations, unvested stock options are canceled, and vested stock options must be exercised before the termination date.
- **Termination with a divestiture or separation of any of the company's businesses:** The award is retained and becomes exercisable on the vest date in this Award Agreement and expires on the expiration date.

Other Considerations

Having stock options does not mean you actually own full shares of stock. There are no dividends or voting rights, and you cannot pledge the options as collateral.

Depending on the legal requirements in countries at the time of grant, some stock option grants might include unique conditions and restrictions beyond what is described in this guide. You should read your grant letters and related materials carefully.

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