



Doing Business Globally: Equity Compensation Guide

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ABOUT THIS GUIDE

Our years of experience advising companies on the offering of employee equity incentives in the United States and abroad gives us a unique perspective on the country-specific legal and regulatory requirements that affect such offers. We have found that successful implementation of global equity programs requires constant attention and a full understanding of the cultural and legal climate of each country and region in which they are offered. The scope and breadth of our experience enables us to help our clients maximize the success of the programs, while avoiding common cultural, legal, tax and institutional problems as they expand the scope of their programs outside of the United States.

In this Guide, we summarize the tax, regulatory, and employment compliance requirements that multinational companies need to address when “going global” with employee equity programs. Also included are checklists of the “action items” for employee equity program implementation around the world. Specifically, we address the following compliance requirements:

Income Tax and Social Insurance. The taxation of equity-based compensation is always a concern for issuing companies, local subsidiaries, and employees. In several countries, the standard income tax and social insurance charges can be so high that the equity award does not provide a real incentive or retention tool for the employees. In many countries, companies may set up tax-advantaged alternatives that allow the company and its employees preferential tax treatment (such as reduced or deferred tax obligations).

Tax Withholding and Reporting. Tax withholding and reporting is one of the most complicated and regulated areas for employee equity awards. The withholding and reporting requirements vary greatly by country. In addition, the type of award offered and the company’s local corporate structure impacts the company’s obligations. Because the collection of tax generates revenue for the country, the withholding and reporting process set up by the issuing company and the local subsidiary are audited regularly by the local tax authorities.

Local Tax Deductions. The availability of a tax deduction for the local subsidiary is important when determining how to implement the employee equity programs. If structured appropriately, the local subsidiary should be able to deduct the costs of the employee equity programs from its local tax obligations and reimburse the issuing company for the expenses.

Securities Compliance. Offers of equity awards may be subject to securities registration and disclosure requirements in the countries where the offers are made. These requirements may include registering the equity programs, drafting prospectuses, publishing offer information, and/or compliance with filing requirements. In many countries, exemptions or exclusions from these requirements are available if the offer is structured properly.

Currency Exchange Controls. Companies must address the intricacies of currency exchange restrictions that affect the conversion and transfer of funds across borders between the issuing company, the local subsidiary, and employees. Compliance with currency exchange restrictions will likely require obtaining exemptions or approvals from the regulatory authorities.

Data Privacy. Data privacy is an important and often confusing area of the law. Because employee information is always collected, stored, and transferred in the administration of the equity award programs, the local data privacy laws must be addressed. Companies must structure the administration of these programs so that they comply with the local data privacy laws and, where necessary, obtain the appropriate approvals from the local data privacy authorities.

Employment Issues. Employment issues are becoming more problematic for companies that offer equity award programs. Employment issues include employee acquired rights to plan benefits, works council co-determination rights, and discrimination. These issues, if not addressed properly, can result in fines or judgments against both the issuing company and the local subsidiary.

Note

The information about each country in this Guide is intended to provide you with a general understanding of the issues you should be aware of when designing, implementing and administering equity programs for your company's global workforce. In preparing this Guide, we have made certain assumptions about the equity awards and the issuing company. The assumptions include:

- The local entity is a wholly owned subsidiary of the issuing company
- The equity program participants are employees of the local subsidiary
- The options are granted with a fair market value exercise price on the grant date
- The shares underlying the RSU awards are delivered to the grantees on the vesting date
- The restricted stock awards feature voting and dividend rights at the time of grant

Because each company is unique in its corporate structure, employee retention strategies, stock compensation goals, risk tolerance, and administration, the information provided in this Guide may not apply specifically to your company. Accordingly, the information should not be relied upon in determining how the local laws and practices will apply to your company. Lastly, it is important to understand that the tax, regulatory, and employment laws applicable to equity programs change frequently. The impact of these new developments may not be reflected in this Guide.

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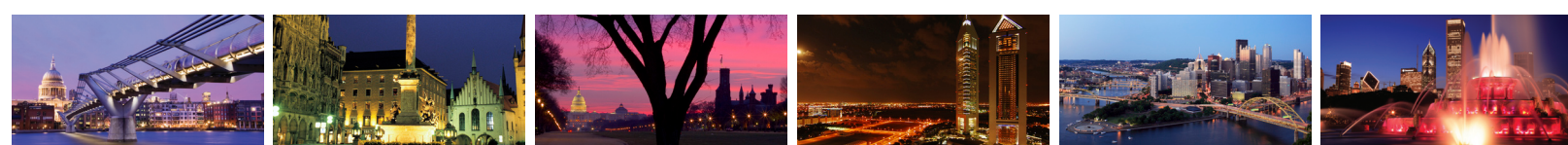
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The information provided in this Guide should not be relied upon and is not meant to express any legal opinion or advice. You should consult an attorney for legal advice.

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AUSTRALIA

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- If the awards are considered to be “qualifying rights,” the employee may elect to be taxed at grant. Most awards under a standard stock plan meet the criteria for “qualifying rights.”
- The employer will owe payroll taxes on the taxable amount. The payroll taxes may be paid, at the employer’s election, on the grant or vesting date.
- Upon sale of the underlying shares, one-half of the gain will be tax-exempt if the employee has held the shares for 12 months or longer.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee. The fair market value of the shares is generally based on the average share price for the week prior to the taxable event.
Social Insurance	The employee has a social insurance obligation (funding for the National Health Scheme (Medicare)).
Withholding	Withholding is not required.
Reporting	Reporting is not required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

The offering of securities generally requires a prospectus unless the issuing company qualifies for an exemption. For most issuing companies, an exemption will be available under a Class Order or the Corporations Act. Exemptions should be available for offers made by publicly-traded companies and for offers made to fewer than 20 employees in a 12-month period.

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is high. Large judgments have been given to employees in litigation over stock award benefits. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Permitted. The amounts, however, must be held by the company or local subsidiary in an account separate from the general corporate account.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Determine if the stock awards are qualifying rights and, if so, inform the employees that they may elect to be taxed at grant.
	<input type="checkbox"/>	Elect whether to make payroll tax payments at grant or at vesting and set up administration to process tax payments.
REGULATORY ISSUES	<input type="checkbox"/>	Comply with securities prospectus exemption requirements, if available. If no exemption applies, consult with ASIC on the scope of the required prospectus.
	<input type="checkbox"/>	Modify award agreements to include employee consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish a separate bank account to hold the employees' payroll contributions.

AUSTRIA

GENERAL TAXATION

		<i>Taxable Event</i>			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
<i>Form of Award</i>	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

- Taxable Amount** The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
- Social Insurance** Both the employee and the employer have a social insurance obligation, which is subject to an annual cap.
- Withholding** Withholding is required for both income tax and social insurance obligations.
- Reporting** Reporting is required for both income tax and social insurance obligations.
- Local Tax Deduction** A local tax deduction should be available, provided that reimbursement is properly documented.
- Tax-Favored Programs** A partial tax exemption or deferral of tax payments may be available depending on how the award is structured.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I).

Exchange Controls

Generally, shares held offshore with a value in excess of €75,000 must be reported annually.

Data Privacy

Registration of data processing and transfer activities is required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change to an equity program.

Payroll Deductions

Permitted. It is advisable, however, for the parent company or local subsidiary to hold the deductions in an interest-bearing account separate from the general corporate account.

IMPLEMENTATION CHECKLIST

- | | | |
|----------------------------------|--------------------------|---|
| GENERAL TAXATION | <input type="checkbox"/> | Confirm proper withholding/reporting practices are in place with the local subsidiary. |
| REGULATORY ISSUES | <input type="checkbox"/> | For securities compliance, establish whether an exclusion or an exemption to the prospectus filing requirement applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable. |
| | <input type="checkbox"/> | Consider advising employees of annual exchange control reporting requirement. |
| | <input type="checkbox"/> | Modify award agreements to have employees consent to the processing and transfer of personal data. |
| | <input type="checkbox"/> | Confirm HR practices include the registration of databases with data protection authorities. |
| EMPLOYMENT CONSIDERATIONS | <input type="checkbox"/> | Modify award agreements to include employee acquired rights waiver. |
| | <input type="checkbox"/> | Establish whether the local entity has a relationship with a works council. If so, review terms of Works council agreement or relationship to determine whether consultation with Works council is required before implementing, modifying, or terminating the equity programs. |
| | <input type="checkbox"/> | Establish a separate, interest-bearing bank account to hold the employee's payroll contributions. |

BELGIUM

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options	■		■	
	RSUs		■		
	Purchase Rights			■	
	Restricted Stock	■			

Notes:

- Options will be taxed at the time of grant if the employee accepts the option within 60 days of the offer date. The option will be taxed at exercise if the employee accepts it after the 60-day period following the offer date. The offer date is the day upon which the employee receives the material information about the grant.
- Restricted stock may be taxed at vesting, depending on the conditions under which the shares are restricted.
- No tax upon the sale of the shares.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Options taxed at grant are not subject to a social insurance obligation. Generally, all other forms of awards, including options taxable at exercise, only incur a social insurance obligation if the local subsidiary reimburses the parent company for the award costs or is otherwise involved in offering the awards to the employees. The employee obligation, if any, is subject to an income cap.
Withholding	Withholding is not required unless the local subsidiary reimburses the parent company for the award costs or is otherwise involved in the offering of the awards to the employees.
Reporting	Reporting is not required unless there is a withholding requirement or if an option is subject to tax at the time of grant.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented. However, reimbursement could trigger withholding and social insurance issues.
Tax-Favored Programs	For options accepted within the 60-day period following the offer date and thus taxed at grant, the tax rate may be reduced by one-half if the employee elects to impose a holding period on the exercise of the option. The holding period is three years from the end of the calendar year in which the option was offered.

REGULATORY ISSUES

- Securities Laws**
The EU Prospectus Directive has been incorporated into local law (see Appendix I).
- Exchange Controls**
Generally none.
- Data Privacy**
Registration of data processing and transfer activities is required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

- Employee Rights**
The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.
- Discrimination based on age, gender, or other protected status is prohibited.
- Consultation with the works council (if any) may be required prior to introduction of or any major change to an equity program.
- Payroll Deductions**
Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices are in place with the local subsidiary.
	<input type="checkbox"/>	For options accepted within the 60-day period following the offer date and thus taxed at grant, confirm whether employee elects to impose holding period for the exercise of the option to receive the reduced income tax rate.
REGULATORY ISSUES	<input type="checkbox"/>	Establish whether an exclusion or exemption to the securities prospectus filing requirement applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Confirm HR practices include the registration of databases with the data protection authorities.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of Works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

BRAZIL

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options				■
	RSUs		■		■
	Purchase Rights				■
	Restricted Stock		■		■

Notes:

- Options and purchase rights are not subject to tax at the time of exercise/purchase.
- Upon sale, the proceeds may be subject to a monthly tax exemption.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance generally does not apply to stock awards unless awards are deemed to be directly linked to salary income.
Withholding	Withholding is not required.
Reporting	Reporting is not required.
Local Tax Deduction	A chargeback arrangement is not common in Brazil. Generally the currency exchange restrictions prohibit the reimbursement of the plan costs to the parent company. If the currency exchange restrictions can be satisfied, a limited local deduction would be available provided that reimbursement is properly documented and the stock awards are granted to all employees in Brazil.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws	The offer of employee stock awards is not subject to securities registration or disclosure requirements.
Exchange Controls	Generally none.
Data Privacy	Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights	Employee acquired rights are becoming more problematic. The proceeds from stock awards may be factored into bonus, retirement, or severance pay. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan. Discrimination based on age, gender, or other protected status is prohibited.
Payroll Deductions	Permitted, however, the local subsidiary must comply with exchange controls.

IMPLEMENTATION CHECKLIST

REGULATORY ISSUES	<input type="checkbox"/>	Comply with exchange control restrictions for chargebacks and payroll deductions.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Modify administration of payroll deductions to comply with exchange controls.

CANADA

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

- Taxable Amount** The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee. The taxable amount upon sale of the shares is one-half of the sale proceeds.
- Social Insurance** Both the employee and the employer have a social insurance obligation which is subject to an income cap.
- Withholding** Withholding is generally required. For options, no withholding if the employee elects to defer the taxable event up to the deferral amounts. (See Tax-Favored Programs)
- Reporting** The local employer is required to report income from stock awards.
- Local Tax Deduction** None available.
- Tax-Favored Programs** For options, two tax-favored programs are available to employees. The employee may elect to have 50% of the taxable amount exempt from tax at exercise. The option must meet certain requirements in order for the employee to elect this tax treatment, such as the shares being listed on an approved stock exchange. The employee may also defer up to Cdn 100,000 of the option value until his or her death or the transfer of the shares.

REGULATORY ISSUES

- Securities Laws**
The offer of employee stock awards is not subject to securities registration or disclosure requirements.
- Exchange Controls**
Generally none.
- Data Privacy**
Award agreements should include employee consent to the processing and transfer of personal data. For employees in Quebec, additional compliance requirements may apply.

EMPLOYMENT CONSIDERATIONS

- Employee Rights**
The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.
- Discrimination based on age, gender, or other protected status is prohibited.
- For employees in Quebec, award agreements must be available in French. Quebec employees, however, may waive the right to the translation.
- Payroll Deductions**
Permitted.

IMPLEMENTATION CHECKLIST

- | | | |
|----------------------------------|--------------------------|---|
| GENERAL TAXATION | <input type="checkbox"/> | Confirm proper withholding/reporting practices are in place with the local subsidiary. |
| | <input type="checkbox"/> | Inform employees with options about the tax-favored alternatives and set up plan administration to facilitate the alternatives. |
| REGULATORY ISSUES | <input type="checkbox"/> | Modify award agreements to have employees consent to the processing and transfer of personal data. |
| EMPLOYMENT CONSIDERATIONS | <input type="checkbox"/> | Modify award agreements to include employee acquired rights waiver. |
| | <input type="checkbox"/> | Translate award agreement into French for Quebec employees, or obtain the employee's waivers. |

CHINA

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- Under Circular 35, the issuing company and local subsidiary must lodge translated copies of the plan documents and employee communications concerning the awards to the tax bureaus in each province where employees reside. The scope and format of the Circular 35 requirements varies among the different tax bureaus.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance generally does not apply to stock awards unless awards are deemed to be directly linked to salary income.
Withholding	Withholding is required for both income and social insurance contributions.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented. However, currency exchange restrictions may limit the local subsidiary's ability to reimburse the parent company.
Tax-Favored Programs	With approval of the tax administration, a deferral of tax payments for up to six months may be possible. Tax favored treatment may also be available under Circular 35.

REGULATORY ISSUES

Securities Laws

Technically, the grant of stock awards to employees in China is not permitted under the current securities regime. Official guidance from the CSRC, the Chinese securities regulators, on stock awards granted by a foreign issuer has not been issued. If a foreign issuer grants stock awards to employees in China, it should take steps to mitigate the risk of enforcement by the CSRC. For options, cashless exercise should be required. For restricted stock and RSUs, no consideration should be charged for the awards or purchase of shares. Note, to date no enforcement actions have been taken by the CSRC against foreign issuers offering employee stock awards.

Exchange Controls

Under Circular 78, the issuing company and the local subsidiary must obtain approval from SAFE, the Chinese currency exchange authority, for the transfer of funds into and out of China. SAFE requires that the company establish a local bank account for the transfer of funds into and out of China. The company must administer the bank account and provide reports on account activity to SAFE.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

New labor laws have been introduced in China. Under the new labor laws, employee acquired rights claims may be an issue. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Under the new labor laws, the concept of works councils and labor unions is being introduced into the workplace. Works councils and labor unions may have an impact on stock awards in the future.

Payroll Deductions

Payroll deductions technically are not permitted in China.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Comply with Circular 35 requirements.
	<input type="checkbox"/>	Confirm proper withholding/reporting practices are in place with the local subsidiary.
REGULATORY ISSUES	<input type="checkbox"/>	Monitor the actions by the CSRC concerning the regulation of stock awards granted by foreign issuers.
	<input type="checkbox"/>	For securities compliance, structure the awards in such a way that minimizes the risk of CSRC action.
	<input type="checkbox"/>	For the transfer of funds, comply with Circular 78 requirements.
	<input type="checkbox"/>	Modify award agreements to include employee consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Monitor implementation of the new labor laws on employee stock programs.
	<input type="checkbox"/>	Determine if local workforce is subject to new labor laws that introduced works councils or labor unions. If a works council or a labor union is organized at the local subsidiary, notify the works council or labor union about the stock programs.
	<input type="checkbox"/>	If offering the ESPP in China, take steps to distinguish the offer of the ESPP from being considered wages. Obtain the employees consent to the payroll deduction process for the ESPP.

DENMARK

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs	■			■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- For RSUs, the taxable event is not certain. For RSUs that vest based upon continued employment with the local subsidiary, the taxable event will likely be at grant. For RSUs that vest based upon the employee meeting performance criteria, the taxable event will likely be when the performance criteria is achieved.
- Effective May 30, 2008, exit tax rules for transferring employees who hold shares are further restricted. An extension of the exit tax payment is still available upon application to the Danish tax authorities.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer have a social insurance obligation. A portion of the employee and employer obligation is subject to a cap.
Withholding	Withholding is not required.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	Deferral of tax payments until the sale of the shares may be available depending on how the award is structured.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I).

Exchange Controls

Generally none. However, holding of shares offshore must be reported annually.

Data Privacy

Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

Stock awards granted on and after July 1, 2004 are subject to the Stock Option Act. Under the Act, the stock awards may be considered fully vested upon grant. The employees will retain their rights to the stock awards after an involuntary termination of employment. If the employee terminates voluntarily or for cause, the stock awards will terminate under the plan provisions. The employee may also retain rights to stock awards that are granted by the issuing company during the same fiscal year as involuntary termination. The issuing company must provide the employee with a translated summary of rights under the Act.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper reporting practices are in place with the local subsidiary.
	<input type="checkbox"/>	For options, RSUs, and restricted stock, consider whether to structure the awards so that the employees may defer the taxable event until sale.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
	<input type="checkbox"/>	Confirm HR practices include the registration of databases with the data protection authorities.
	<input type="checkbox"/>	With regard to exchange controls, advise employees of reporting requirement for holding shares offshore.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Provide employees with translated summary of rights under the Stock Option Act.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of Works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.
	<input type="checkbox"/>	Consider impact of stock option act on stock award grant practices. Consider modifying, award vesting schedule or share levels to mitigate the impact of the Stock Option Act.

FINLAND

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

- Taxable Amount** The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
- Social Insurance** Employees have a social insurance obligation.
- Withholding** Withholding is required for income tax only, not for social insurance obligation.
- Reporting** Reporting is required.
- Local Tax Deduction** A local tax deduction should be available, provided that reimbursement is properly documented.
- Tax-Favored Programs** None.

REGULATORY ISSUES

- Securities Laws** The EU Prospectus Directive has been incorporated into local law (see Appendix I).
- Exchange Controls** Generally none.
- Data Privacy** Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

- Employee Rights** The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.
- Payroll Deductions** Permitted.

IMPLEMENTATION ✓ CHECKLIST

- GENERAL TAXATION** Confirm proper reporting practices are in place with the local subsidiary.
- REGULATORY ISSUES**
 - For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
 - Modify award agreements to have employees consent to the processing and transfer of personal data.
 - Confirm HR practices include the registration of databases with the data protection authorities.
- EMPLOYMENT CONSIDERATIONS**
 - Modify award agreements to include employee acquired rights waiver.
 - Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

FRANCE

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- Tax on sale is subject to an annual exclusion.
- Significant changes to social insurance obligations due for tax-qualified option and RSU plans.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer have an uncapped social insurance obligation.
Withholding	Withholding of social insurance contributions is required in some situations.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction may be available, provided that reimbursement is properly documented, but it will be limited to stock awards over treasury shares.
Tax-Favored Programs	Qualified sub-plans for options and RSUs will allow the income taxes due at exercise/vesting to be deferred until sale, as well as eliminate most of the employee and employer social insurance obligations. These tax-favored stock awards are subject to many conditions such as restrictions on vesting, exercise, and sale of the shares. In addition, numerous corporate and tax law provisions must be complied with in order to qualify for tax-favored status. For qualified options and RSUs granted after October 16, 2007, social insurance taxes are imposed – the employer is subject to a 10% social insurance obligation at grant and the employee is subject to a 2.5% social insurance obligation on the spread at exercise for options and the fair market value at vesting for RSUs. The employee's social taxes are payable upon sale. For stock purchase rights, a French qualified stock purchase plan ("Plan d'Epargne d'Entreprise" also known as a "PEE") is available.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I).

Exchange Controls

Generally none. However, holding of shares offshore must be reported annually.

Data Privacy

Registration of data processing and transfer activities is required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.

Payroll Deductions

Permitted.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION

- Confirm proper reporting practices are in place with the local subsidiary.
- Consider whether tax-preferred option, RSU, and ESPP programs are appropriate for the local workforce. If so, create French award subplans to address the tax and corporate criteria necessary to qualify for the tax-favored status. In addition, the company must make arrangements for the employer social insurance obligations at grant.

REGULATORY ISSUES

- For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
- With regard to exchange controls, advise employees of annual reporting requirement.
- Modify award agreements to have employees consent to the processing and transfer of personal data.
- Confirm HR practices include the registration of databases with the data protection authorities.

EMPLOYMENT CONSIDERATIONS

- Modify award agreements to include employee acquired rights waiver.
- Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

GERMANY

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- Proceeds from the sale of shares on or after January 1, 2009 are subject to a 25% capital gains tax. Proceeds from the sale of shares sold prior to January 1, 2009 may not be subject to capital gains tax if held for 12 months or longer.

- Taxable Amount** The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
- Social Insurance** Both the employee and the employer have a social insurance obligation, which are subject to a cap.
- Withholding** Withholding is required for both income tax and the social insurance obligation.
- Reporting** Reporting is required.
- Local Tax Deduction** A local tax deduction should be available, provided that reimbursement is properly documented.
- Tax-Favored Programs** A partial tax exemption may be available.

REGULATORY ISSUES

- Securities Laws**
The EU Prospectus Directive has been incorporated into local law (see Appendix I).
- Exchange Controls**
Generally none.
- Data Privacy**
Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

- Employee Rights**
The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.
- Payroll Deductions**
Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper reporting practices are in place with the local subsidiary.
REGULATORY ISSUES	<input type="checkbox"/>	Germany has a stricter interpretation of the EU Prospectus Directive than the other Member States. The company should establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Confirm HR practices include the registration of databases with the data protection authorities.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

GREECE

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- Effective January 1, 2008, the taxable income for stock awards will be treated as employment income.
- For shares acquired after January 1, 2009, the sale of shares will be subject to capital gains tax of 10%. For shares acquired prior to January 1, 2009, the sale of shares will remain subject to transfer tax.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	For shares exercised on or after January 1, 2008, both the employee and the employer have a social insurance obligation. The employee obligation is subject to an income cap.
Withholding	For shares exercised on or after January 1, 2008, withholding is required.
Reporting	For shares exercised on or after January 1, 2008, reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	Tax-favored programs may be available for Greek companies.

REGULATORY ISSUES

- Securities Laws**
The EU Prospectus Directive has been incorporated into local law (see Appendix I).
- Exchange Controls**
Generally none.
- Data Privacy**
Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

- Employee Rights**
The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.
- Discrimination based on age, gender, or other protected status is prohibited.
- Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.
- Payroll Deductions**
Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper reporting practices are in place with the local subsidiary.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

HONG KONG

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	
	RSUs		■		
	Purchase Rights			■	
	Restricted Stock	■			

Notes:

- There is no tax due upon the sale of the shares.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance generally does not apply to stock awards.
Withholding	Withholding is not required.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

Neither securities registration nor disclosure is required so long as: (a) the offer is a private placement to employees only; (b) the stock awards are not transferable; and (c) the period between grant and the potential delivery of shares is six months or longer.

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data. The company should also put the employees on notice of the data processing activities. In some cases, registration with the data privacy authorities may be necessary.

EMPLOYMENT CONSIDERATIONS

Employee Rights

Employee acquired rights are becoming more problematic. The proceeds from stock awards may be factored into bonus, retirement, or severance pay. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

In some cases, the stock plan benefits can be subject to ORSO and treated as a retirement program. The ORSO issues typically arise if the stock plan is designed to pay out benefits in cash or upon retirement.

Payroll Deductions

For the ESPP, payroll deductions can be problematic. Under a strict interpretation of the applicable law, payroll deductions are not allowed. Some companies allow alternative contribution methods, such as direct payments to avoid payroll deductions.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper reporting practices are in place with the local subsidiary.
REGULATORY ISSUES	<input type="checkbox"/>	Structure stock plan awards to avoid the securities registration requirements. The stock awards should be (a) a private placement to employees only; (b) non-transferable; and (c) vest within six months.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Determine if registration of the database with the data protection authorities is necessary.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.
	<input type="checkbox"/>	Consider allowing alternative contribution methods for ESPP participants to avoid prohibition on payroll deductions.

INDIA

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options				■
	RSUs				■
	Purchase Rights				■
	Restricted Stock				■

Notes:

- As of April 1, 2007, stock awards are subject to the fringe benefits tax (FBT), which is payable by the Indian employer. The value of the stock award that is subject to the FBT must be determined by a merchant bank registered with the Security Exchange Board of India (SEBI). Employers pay the FBT in advance during the tax year under a quarterly installment schedule - June 15 (15%), September 15, (45%), December 15 (75%), and March 15 (100%). The FBT tax rate is 33.99%, uncapped. Under the FBT rules, the employer may pass through the FBT to the employees. However, there may be negative accounting treatment if the FBT is paid by the employees. If the FBT is not passed through to the employee, the employee will have no tax liability at the time the option is exercised, the RSU vests, or the shares are purchased under an ESPP. The employee will be subject to capital gains tax on the difference between the sale price of the shares and the fair market value of the shares at the time they were issued.

Taxable Amount	The amount subject to the FBT is: (i) for options, the difference between the fair market value of the shares at vesting and the exercise price; (ii) for RSUs, the fair market value of a share upon vesting; and (iii) for purchase rights, the discount upon the purchase of shares.
Social Insurance	Not applicable.
Withholding	Not applicable. The FBT is an employer obligation.
Reporting	In addition to the payment of FBT on a quarterly basis, the employer must file with the tax authorities an annual report of fringe benefits provided to employees.
Local Tax Deduction	Not applicable.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

The offer of employee stock awards is not subject to securities registration or disclosure requirements.

Exchange Controls

So long as the Indian subsidiary is 51% owned by the issuing company, the employee may purchase or receive shares under an employee stock plan without restriction. If the Indian subsidiary ownership percentage is not met, permission from the Reserve Bank of India is required to purchase shares under a foreign company employee stock plan. The employee must repatriate the proceeds received from the sale of shares.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is low. However, award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm procedures are in place for determining FBT obligations and quarterly payments.
	<input type="checkbox"/>	Determine if company will pass through the FBT to the employee. If so, stock plan and award agreements may need to be amended to allow pass-through.
REGULATORY ISSUES	<input type="checkbox"/>	Review corporate structure to make sure that exchange control restrictions are not problematic.
	<input type="checkbox"/>	Notify employees about the requirement to repatriate the proceeds from the sale of shares.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.

IRELAND

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- A portion of the proceeds from sale will be excluded from capital gains tax.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance generally does not apply to stock awards.
Withholding	Withholding generally is not required for stock awards.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	Tax-favored programs may be available.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I).

In addition, certain directors and leaders of the Irish entity are required to report the purchase or sale of shares in the parent company.

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council or labor union may be required prior to introduction of or any major change relative to an equity program.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

ISRAEL

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options				■
	RSUs				■
	Purchase Rights				■
	Restricted Stock	■			■

Notes:

- For restricted stock awards, tax at grant can be deferred until sale if offered under an approved trustee plan.
- **Non-Trustee Plan:** Tax at income tax rates, no local tax deduction (except for restricted stock)
- **Trustee Plan:** Lock-up periods apply, and, at the issuing company's election:
 - a) Tax at income tax rates, local tax deduction allowed; or
 - b) Tax at capital gains rates, no local tax deduction.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance (both employee and employer) is due on awards made under a non-trustee plan and on awards made under an income track trustee plan. The employee obligation is subject to an income cap.
Withholding	Withholding is required for offers made outside an approved trustee plan, and for offers made pursuant to an approved trustee plan using the income method.
Reporting	Reporting is required (including an annual report).
Local Tax Deduction	A local tax deduction should be available for income track trustee plans, provided that reimbursement is properly documented.
Tax-Favored Programs	With a trustee plan, the issuing company may elect to have stock awards taxed at capital gains rates.

REGULATORY ISSUES

Securities Laws

There is a self-executing exemption for offers made to 35 persons or fewer in Israel. Other exemptions may be available for offers to greater than 35 persons.

Exchange Controls

Generally none.

Data Privacy

Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
	<input type="checkbox"/>	Consider whether to offer an approved trustee plan, and whether the approved trustee plan should be income track or capital gain track.
	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies.
REGULATORY ISSUES	<input type="checkbox"/>	Review corporate structure to make sure that exchange control restrictions are not problematic.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Confirm HR practices include the registration of databases with the data protection authorities.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.

ITALY

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- Special tax rules may apply to past awards, because of legislation in effect at the time of the offer.
- Over the past few years, there have been significant changes to the tax rules applicable to options. The Fair Market Value exemption for options has been abolished, effective June 25, 2008. Options that qualify for this treatment prior to the abolishment date may still receive preferential tax treatment.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee. Fair market value is generally defined as the average closing price of the shares over the month preceding the grant date.
Social Insurance	As of June 25, 2008, no social insurance applies to options. Options and purchase rights that qualify for the broad-based plan tax exemption are generally not subject to social insurance. All other purchase rights, as well as restricted stock and RSUs are subject to social insurance (both employee and employer). The employee obligation is subject to an income cap.
Withholding	Withholding is required unless the offer is made pursuant to a tax-favored program.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	<u>Broad-Based Plan Exemption (Options and Purchase Rights)</u> : If: (a) the awards are granted to all employees of the Italian entity; (b) the employer or issuer does not buy back all the shares; and (c) the employees hold the shares for three years from purchase then the first €2,065 of the spread (per year) at exercise is exempt from income tax and social insurance obligations.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I). The local employer may be required to have a local financial intermediary to consult with the employees about the stock awards. The financial intermediary requirement is applicable if the employee pays an exercise or purchase price. Most companies require cashless exercise for options to avoid the financial intermediary requirement. However, the company's ESPP would trigger the requirement.

Exchange Controls

Shares held outside of Italy may need to be reported. The parent company may have reporting requirements if employee participation exceeds €500,000/year.

Data Privacy

Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data. Company may need to have an appointed Data Controller in Italy.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.

Payroll Deductions

Permitted.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION

- Confirm proper withholding/reporting practices.
- Review past grants and confirm appropriate taxation (given changes in the tax laws over the years).

REGULATORY ISSUES

- For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
- Hire financial intermediary for the offer of stock awards. Options with mandatory cashless exercise and grants of RSUs restricted stock for free are exempt from the financial intermediary requirement.
- Monitor whether employee participation exceeds €500,000/year and, if so, report accordingly.
- Modify award agreements to have employees consent to the processing and transfer of personal data.
- Confirm HR practices include the registration of databases with the data protection authorities.

EMPLOYMENT CONSIDERATIONS

- Modify award agreements to include employee acquired rights waiver.
- Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

JAPAN

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- The law and the position of the courts in Japan continue to evolve with regard to classification of stock plan income as remuneration income vs. occasional income.
- The Japanese tax authorities regularly audit local companies on the taxation of stock awards to transferring employees. The issuing company should keep accurate records of the time in Japan spent by transferring employees so that income tax for stock awards may be apportioned correctly.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance obligations should not apply to stock awards.
Withholding	Though legislation is not clear, withholding is likely required - and particularly if the local subsidiary reimburses the parent company. Companies should be mindful as the tax authorities are continuing to investigate the taxation of stock programs. Many companies withhold taxes on stock awards as a courtesy to employees because the employees would otherwise have to file a tax return to report the income.
Reporting	Reporting is required if there is a withholding obligation.
Local Tax Deduction	Provided that reimbursement is properly documented, a local tax deduction should be available, though not for awards made to directors. The local tax deduction will result in withholding and reporting obligations.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

If the local entity is a wholly and directly-owned subsidiary of the issuer, no reporting requirements apply. Otherwise, significant filing requirements (annual and per-grant) may apply based on the number of individuals receiving the offer and the aggregate value of the shares on the grant date.

The securities filing obligations must be analyzed with each grant because of aggregation rules. Restricted stock and RSUs, because the employee pays no consideration to receive the shares, should not be subject to securities filings.

Exchange Controls

Employees must report purchases of shares in excess of 100 million.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Permitted.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
	<input type="checkbox"/>	Monitor how tax authorities are taxing stock programs.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, confirm whether exemption applies because Japanese subsidiary is wholly and directly owned by the issuer.
	<input type="checkbox"/>	Review securities filing requirements with each grant of stock awards.
	<input type="checkbox"/>	Closely track stock awards in light of securities aggregation rules.
	<input type="checkbox"/>	With regard to exchange controls, advise recipients of more than 100 million in shares of reporting requirement.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.

MALAYSIA

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	
	RSUs		■		
	Purchase Rights			■	
	Restricted Stock	■			

Notes:

- No tax upon sale of the shares unless the employee is a stock trader.

Taxable Amount	The taxable amount for options and purchase rights is the lesser of (a) the difference between the exercise price and the fair market value at vesting; or (b) the difference between the exercise price and the fair market value at exercise. For awards granted before January 1, 2006, an election may be made to be taxed in accordance with prior legislation, whereby the taxable amount was the discount at grant. Fair market value of the shares is determined by taking the average of the high and low price on a given date.
Social Insurance	Social insurance obligations should not apply to stock awards.
Withholding	Withholding is required unless the local entity receives an exemption or employee elects to pay taxes on own.
Reporting	Reporting is required at the time of each grant (within 30 days of grant date) and again annually.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

Companies are required to file an Information Memorandum with the Malaysian Securities Commission for each form of award and for each grant, within seven days of the distribution of any grant materials to Malaysian employees. The Information Memorandum includes the materials and information distributed to the employees.

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Payroll deductions from low income employees may be prohibited unless approval given by Malaysian labor agency.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices, including per grant filings.
	<input type="checkbox"/>	Determine appropriate taxable amount for options and purchase rights.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, complete Information Memorandum requirements for every offer.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Determine whether prior approval of payroll deductions is required for the ESPP.

MEXICO

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock		■		■

Notes:

- Whether the Mexican entity reimburses the issuing company must be considered when determining the taxable event for purchase rights. Recent legislation has addressed the taxation of options but has left questions as to whether the taxable event for purchase rights is at purchase if there is no reimbursement. The conservative approach is to withhold at purchase regardless of reimbursement.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance obligations (both employee and employer) will apply if the local entity reimburses the issuing company. Both the employee and employer obligations are subject to preset, annual caps.
Withholding	Withholding is required if the local entity reimburses the issuing company.
Reporting	Reporting by the local employer is required if the local entity reimburses the issuing company.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented. However, the reimbursement arrangement will likely trigger social insurance contributions.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

Self-executing exemptions from the otherwise applicable reporting obligations are generally available for offers made pursuant to employee stock plans.

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is low.

Labor law issues may restrict the offering of a standard ESPP. Minor modifications to the plan administration and employee communications for the offering of the ESPP may be necessary.

Payroll Deductions

Deductions from an employee's payroll, including voluntary deductions made pursuant to an ESPP, are generally prohibited. Companies should consider alternatives for payroll deductions.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices (if applicable).
REGULATORY ISSUES	<input type="checkbox"/>	Confirm that an exemption to the securities requirements applies.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Review ESPP to determine if minor modifications to administration or employee communications is necessary.
	<input type="checkbox"/>	Consider payroll deduction alternatives for the ESPP, such as direct payments.

NETHERLANDS

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	
	RSUs		■		
	Purchase Rights			■	
	Restricted Stock	■			

Notes:

- Generally options are taxable at exercise. For options that first vested before January 1, 2005, the taxable event may have been at vesting. Various tax deferral alternatives were available for these options.
- There is no tax upon sale unless an individual owns 5% or more of the company.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee. For options vesting before January 1, 2005, the taxable event is determined by a statutory formula.
Social Insurance	Employees have a social insurance obligation which is subject to a preset, annual cap.
Withholding	Withholding is required (for income tax and social insurance contributions).
Reporting	Reporting is required (for income tax and social insurance contributions).
Local Tax Deduction	None available.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I).

Exchange Controls

Generally none.

Data Privacy

Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
	<input type="checkbox"/>	Determine if the company has any options that first vested before January 1, 2005. If so, determine appropriate taxation of options.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Confirm HR practices include the registration of databases with the data protection authorities.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

NEW ZEALAND

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	
	RSUs		■		
	Purchase Rights			■	
	Restricted Stock	■			

Notes:

- Generally no tax upon the sale of shares unless the employee sells the shares immediately upon receipt.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance obligations should not apply to stock awards.
Withholding	There is no withholding requirement.
Reporting	The employer does not have a reporting requirement.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

There are no securities restrictions on the grant of free shares (restricted stock and RSUs). Securities restrictions and disclosure requirements apply to options and purchase rights generally, but exemptions should be available. In addition to securities laws, financial reporting requirements may apply.

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data. Any transfer of data outside of New Zealand must meet the requirements of local data privacy law.

EMPLOYMENT CONSIDERATIONS

Employee Rights

There may be an issue relative to inclusion of award benefit in calculation of severance. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

REGULATORY ISSUES

- Establish whether an exemption from securities requirements applies and meet reporting requirements.
- Establish whether an exemption from financial reporting requirements applies and meet reporting requirements.
- Modify award agreements to have employees consent to the processing and transfer of personal data.
- Confirm HR practices are in place to comply with data transfer requirements.

EMPLOYMENT CONSIDERATIONS

- Modify award agreements to include employee acquired rights waiver.

NORWAY

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- Wealth tax may apply to shares received under stock programs.

Taxable Amount	Generally, the taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer have a social insurance obligation.
Withholding	Withholding is required (for income tax and social insurance contributions).
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I).

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data. Registration or notification of data processing and transfer may be required.

EMPLOYMENT CONSIDERATIONS

Employee Rights

There may be an issue relative to inclusion of award benefit in calculation of severance. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.

Payroll Deductions

Permitted.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
REGULATORY ISSUES	<input type="checkbox"/>	With regard to exchange controls, advise employees of annual reporting requirement.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Confirm HR practices include the registration of databases with the data protection authorities, if needed.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

PHILIPPINES

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock		■		■

Notes:

- Stock awards granted to officers and senior executives, often referred to as non-rank-and-file employees, may be taxed as fringe benefits (paid by the employer) if the local subsidiary reimburses the parent company.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	A social insurance obligation applies if there is a reimbursement arrangement with the parent company.
Withholding	Withholding (for income tax and social insurance contributions) is only required if there is a reimbursement arrangement with the parent company.
Reporting	Reporting by the local employer is only required if there is a reimbursement arrangement with the parent company.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented. If the local subsidiary reimburses the parent company, the stock awards granted to officers and senior executives (non rank and file employees) may be treated as fringe benefits and become taxable to the local subsidiary.
Tax-Favored Programs	None available.

REGULATORY ISSUES

- Securities Laws**
Exemptions are available, though they are not self-executing and may require the payment of a fee. If the offer is made to fewer than 20 individuals, the applicable exemption is less onerous than the exemption applicable to an offer made to more than 20 individuals. Note that compliance with the securities exemptions is becoming more difficult and the Philippines SEC is taking a more stringent, and often inconsistent, approach to approving exemptions.
- Exchange Controls**
Generally none.
- Data Privacy**
Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

- Employee Rights**
The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.
- Discrimination based on age, gender, or other protected status is prohibited.
- Payroll Deductions**
Permitted.

IMPLEMENTATION / CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	If a reimbursement arrangement is in place, confirm proper withholding/reporting practices.
	<input type="checkbox"/>	Determine if fringe benefit taxes are due for grants to officers and senior executives (non-rank-and-file employees).
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies. Comply with reporting and fee requirements of the applicable exemption prior to offer. Allow enough time to complete the exemption filing before the offer date. The filing requirements in the Philippines are becoming more onerous and time-consuming.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.

POLAND

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock		■		■

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	A social insurance obligation applies if there is a reimbursement arrangement with the parent company. If applicable, both employee and employer will have a social insurance obligation. The employee obligation is subject to an income cap.
Withholding	Withholding (for income tax and social insurance contributions) is required if there is a reimbursement arrangement with the parent company.
Reporting	Reporting by the employer is required if there is a reimbursement arrangement with the parent company.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented. The reimbursement of plan costs by the local subsidiary to the parent company will result in withholding and reporting obligations.
Tax-Favored Programs	None available.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I).

Exchange Controls

Generally none.

Data Privacy

Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

Recent court decisions indicate that there may be an issue on the inclusion of award benefit in calculation of severance. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Works councils or labor unions may need to be consulted regarding the offering of new stock programs or changes to existing stock programs.

Payroll Deductions

Permitted.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	If there is a reimbursement arrangement with the parent company, confirm proper withholding/reporting practices.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Confirm HR practices include the registration of databases with the data protection authorities.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

SINGAPORE

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	
	RSUs		■		
	Purchase Rights			■	
	Restricted Stock		■		

Notes:

- Individuals who either leave Singapore or terminate employment may be deemed to have exercised their awards at the time of departure/termination and be taxed at that time. Employees and employers may seek permission to defer taxation until the time of the standard taxable event.
- No tax upon the sale of shares.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance obligations should not apply to stock awards.
Withholding	There is no withholding requirement.
Reporting	Reporting is required.
Local Tax Deduction	Generally, a local tax deduction is available on the actual losses sustained relative to repurchased shares (not newly issued shares). The tax authorities may limit the deduction to qualified awards.
Tax-Favored Program	Qualified programs are available, including a tax deferral and a tax exemption program.

REGULATORY ISSUES

Securities Laws
There are two potentially applicable exemptions from prospectus requirements: (a) offers limited to employees of the issuer or related entity pursuant to an employee stock program; or (b) offers to fewer than 50 persons valued at less than US\$5 million in a 12-month period.

Exchange Controls
None applicable.

Data Privacy
Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights
The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions
Permitted, however prior approval from the Ministry of Manpower is necessary for payroll deductions from employees subject to the Employment Act.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
	<input type="checkbox"/>	Set up procedure for tracking and paying deemed exercise tax for terminating employees.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies. Typically one of the exemptions for employees will apply to the offer.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Comply with Ministry of Manpower prior approval requirement before taking payroll deductions from employees subject to the Employment Act.

SOUTH AFRICA

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock		■		■

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer have a social insurance obligation. The employee obligation is subject to an income cap.
Withholding	Withholding for income tax and social insurance contributions is required.
Reporting	Reporting is required.
Local Tax Deduction	A chargeback arrangement between the parent company and the local subsidiary must be approved by the South African Reserve Bank. Such approval is difficult to obtain. If approval is obtained, a local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Program	Employees may be able to defer tax until sale of the underlying shares.

REGULATORY ISSUES

Securities Laws

The offer of employee stock awards should not trigger securities disclosure or registration requirements because it is not considered a public offer. In order to mitigate risks that the offer of employee stock awards could be considered a public offer, the offer materials should be addressed to each employee personally.

Exchange Controls

Exchange control restrictions can limit the offering of employee stock awards. The parent company or local subsidiary should consider obtaining approval from the Reserve Bank for the offer of the stock awards.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Permitted, but should confirm with the Reserve Bank that the transfer of funds to purchase shares is permissible.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
	<input type="checkbox"/>	For securities compliance, confirm that award documentation is clearly directed/addressed to individual employees.
REGULATORY ISSUES	<input type="checkbox"/>	Review application of exchange control restrictions on the employee stock awards offered to South African employees. Obtain approval from the Reserve Bank for the stock awards.
	<input type="checkbox"/>	If company would like to pursue a reimbursement arrangement, seek approval from Reserve Bank.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Confirm with the Reserve Bank that payroll deductions and the transfer of employee contributions to purchase shares is permissible.

SOUTH KOREA

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- A 10% tax credit may be available for stock options, so long as the local subsidiary does not reimburse the parent company for the cost of the stock option or does not take a tax deduction for the stock option.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer have a social insurance obligation.
Withholding	Withholding of income tax is required if there is a reimbursement arrangement between the parent company and the local subsidiary. There is, however, an obligation to withhold social insurance contributions.
Reporting	Reporting of income tax is only required if there is a reimbursement arrangement between the parent company and the Korean entity. There is, however, an obligation to report social insurance contributions.
Local Tax Deduction	Generally Korean tax authorities will not allow a local tax deduction when a chargeback arrangement is structured for the award costs; however, a court ruling has set a precedent that income from a stock option is subject to a 10% tax credit in cases where there is no chargeback relationship, and in cases where there is a chargeback relationship but the amounts are not deductible under local tax law. If a chargeback arrangement is desired, foreign exchange control approval must be obtained.
Tax-Favored Program	None available.

REGULATORY ISSUES

Securities Laws

There are no securities restrictions or reporting obligations if awards are granted only to employees.

Exchange Controls

Currency exchange control restrictions may be problematic. The exchange and transfer of local currency must be approved by the local bank handling the transaction.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Generally permitted, however the exchange and transfer of employee contributions to the parent company for the purchase of shares must be approved by the local bank handling the transaction.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices if a reimbursement program is in place.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, confirm grants are only made to employees so the employee exemption will apply.
	<input type="checkbox"/>	Obtain local bank approval of currency exchange and transfer transactions, when necessary.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Obtain local bank approval of currency exchange and transfer transactions.

SPAIN

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer have a social insurance obligation. The employee obligation is subject to an income cap.
Withholding	Generally, withholding for both income tax and social insurance contributions is required. However, income tax withholding would not be required if the stock awards qualified under one of the tax-favored programs.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction may be problematic, even if the local subsidiary reimburses the parent company for the costs of the stock awards.
Tax-Favored Program	Two potential tax-favored programs may be available. The first is an exemption on the first €12,000 if the shares are held for at least three years beyond the exercise/purchase date and other criteria are met. The second – an exemption of 40% on income – is available but more difficult to obtain because the stock awards must be granted on an irregular basis and must not be vested/exercisable for two years from grant.

REGULATORY ISSUES

Securities Laws

The EU Prospectus Directive has been incorporated into local law (see Appendix I).

Exchange Controls

An annual reporting requirement applies to all individuals with an interest in foreign securities.

Data Privacy

Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

Recent court decisions indicate that there may be an issue on the inclusion of the stock award benefit in calculation of severance. The potential for successful employee acquired rights claims is high. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to introduction of or any major change relative to an equity program.

Payroll Deductions

Permitted.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION

- Confirm proper withholding/reporting practices.
- Consider whether either of the tax favored programs is available with the company's grant practices.

REGULATORY ISSUES

- For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable.
- With regard to exchange controls, advise employees of annual reporting requirement.
- Modify award agreements to have employees consent to the processing and transfer of personal data.
- Confirm HR practices include the registration of databases with the data protection authorities.

EMPLOYMENT CONSIDERATIONS

- Modify award agreements to include employee acquired rights waiver.
- Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

SWEDEN

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

- Taxable Amount** The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
- Social Insurance** Both the employee and the employer have a social insurance obligation. The employer's obligation is uncapped. The employee's obligation is subject to an income cap.
- Withholding** Withholding for both income tax and social insurance contributions is required.
- Reporting** Reporting is required.
- Local Tax Deduction** A local tax deduction should be available, provided that reimbursement is properly documented.
- Tax-Favored Program** None available.

REGULATORY ISSUES

- Securities Laws**
The EU Prospectus Directive has been incorporated into local law (see Appendix I).
- Exchange Controls**
None applicable.
- Data Privacy**
Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

- Employee Rights**
The potential for successful employee acquired rights claims is high. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to any major change relative to an equity program.
- Payroll Deductions**
Permitted.

IMPLEMENTATION CHECKLIST

- | | | |
|----------------------------------|--------------------------|---|
| GENERAL TAXATION | <input type="checkbox"/> | Confirm proper withholding/reporting practices. |
| REGULATORY ISSUES | <input type="checkbox"/> | For securities compliance, establish whether an exemption applies. If none applies, determine home member state, file a prospectus, and passport the prospectus throughout the EU/EEA as applicable. |
| | <input type="checkbox"/> | Modify award agreements to have employees consent to the processing and transfer of personal data. |
| EMPLOYMENT CONSIDERATIONS | <input type="checkbox"/> | Modify award agreements to include employee acquired rights waiver. |
| | <input type="checkbox"/> | Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs. |

SWITZERLAND

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	
	RSUs		■		
	Purchase Rights			■	
	Restricted Stock	■			

Notes:

- For all stock awards, the taxable event may vary by canton. Because the majority of the tax obligation is at the cantonal level, rather than the federal level, many companies seek confirmation of the taxable event from the tax authorities of each canton in which the stock awards are offered.
- There is no tax upon the sale of the shares.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer have a social insurance obligation. The employee and employer obligation is subject to an income cap.
Withholding	Withholding of income tax and social insurance contributions is not required for Swiss tax residents. Withholding is required for employees who work in Switzerland under a "B" permit.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Program	None available.

REGULATORY ISSUES

Securities Laws

There are no securities considerations provided the awards are granted to employees and the shares are not listed on a Swiss exchange.

Exchange Controls

None applicable.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Consultation with the works council (if any) may be required prior to any major change relative to an equity program.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
	<input type="checkbox"/>	Seek rulings on timing of taxable event from cantonal tax authorities.
REGULATORY ISSUES	<input type="checkbox"/>	Confirm securities disclosure requirements do not apply (offers made to employees only and issuer is not listed on a Swiss exchange).
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

TAIWAN

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	
	RSUs		■		
	Purchase Rights			■	
	Restricted Stock	■			

Notes:

- The proceeds from the sale of shares may be considered overseas investment income and factored into the employees alternative minimum tax obligation. The inclusion of the sales proceeds in the alternative minimum tax calculation would go into effect for either the 2009 or 2010 tax years.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance obligations should not apply to stock awards.
Withholding	For options and purchase rights, there is no withholding requirement. For restricted stock and RSUs, there may be a withholding requirement if the local entity reimburses the parent company for the costs of the stock awards.
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Program	None available.

REGULATORY ISSUES

Securities Laws

The offer of employee stock awards is not subject to securities registration or disclosure requirements.

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

Employees may have a right to benefits under the stock plans if terminated involuntarily. The employees should sign a written disclaimer to benefits under the stock plans after employment is terminated.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm proper withholding/reporting practices.
REGULATORY ISSUES	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.

THAILAND

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Notes:

- Tax at sale is imposed if: (a) individual is a Thai tax resident; and (b) income is repatriated to Thailand in the same calendar year of sale (which is likely mandated by exchange control rules).
- The fair market value of the shares for determining the taxable amount is the average trading price for the preceding month.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee. In determining the taxable amount, the fair market value is generally determined at the average trading price for the preceding month.
Social Insurance	Social insurance obligations should not apply to stock awards.
Withholding	Withholding is not required unless the local entity reimburses the parent.
Reporting	Reporting by the local employer is only required if there is a reimbursement arrangement with the parent company.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented. However, the Thai subsidiary must comply with potentially onerous exchange control regulations.
Tax-Favored Program	None available.

REGULATORY ISSUES

Securities Laws

There are several exemptions from the Thai securities regulations including (a) offers made to employees, (b) offers to less than 50 persons; and (c) offers with a value of less than Baht 20 million during any 12-month period. Reporting requirements apply to each of these exemptions.

Exchange Controls

If the employees do not exercise options via the cashless exercise method, approval from the Bank of Thailand is required to remit funds of more than US \$100,000 overseas to purchase foreign shares. No approval is required for transfers of funds of less than US \$100,000 provided that the transfer is made through a Thai authorized financial institution and employees are submit certain documents to the relevant authorized financial institution in Thailand (such as a letter explaining details of the benefit that the employee will obtain, documents regarding the stock option plan, documents showing the relationship between the parent company and the Thai subsidiary and a Certificate of Remittance of Foreign Currency Abroad for Investment in Securities). Funds from the sale of shares must be repatriated to Thailand.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data. Specific privacy legislation is anticipated.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm whether withholding and reporting is required.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether exemption applies. If the exemption applies, calendar reporting requirement. If no exemption applies, prepare and file a prospectus.
	<input type="checkbox"/>	Comply with exchange control regulations for transfer of funds in excess of US\$100,000.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.

UAE

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options				
	RSUs				
	Purchase Rights				
	Restricted Stock				

Notes:

- There is no personal income tax in the UAE.

Taxable Amount	Not applicable.
Social Insurance	Social insurance obligations do not apply to stock awards.
Withholding	Withholding does not apply as there is no personal income tax in the UAE.
Reporting	Reporting does not apply as there is no personal income tax in the UAE.
Local Tax Deduction	Not applicable.
Tax-Favored Programs	Not applicable.

REGULATORY ISSUES

Securities Laws

Neither the Central Bank nor the Emirates Securities and Commodities Authority require non-UAE companies to obtain regulatory approval in order to grant employee stock awards in the UAE.

Exchange Controls

None.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is low. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Payroll Deductions

Permitted.

IMPLEMENTATION ✓ CHECKLIST

REGULATORY ISSUES	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.

UNITED KINGDOM

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock		■		■

Notes:

- For restricted stock, tax at vesting if the vesting period is less than five years. Employee and employer may elect to have taxable event at grant.
- Taper relief and other potential reductions of capital gain tax on the share sale proceeds are not available after April 6, 2008. After April 6, 2008, employees will be subject to a flat capital gains tax on the shares sale proceeds.

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer are subject to National Insurance contributions (NICs) upon the taxable event unless the plan (and individual award) is tax-qualified with the HMR&C. Employer NICs are uncapped. Companies can transfer the employer NICs to the employees by having employees execute a Joint Election.
Withholding	Withholding is generally required for both income tax and NICs. If the plan is tax-qualified with the HMR&C, withholding is not required except when an approved option is exercised under a non-qualifying circumstance (in which case withholding is required).
Reporting	Reporting is required.
Local Tax Deduction	A local tax deduction should be available, provided that reimbursement is properly documented.
Tax-Favored Program	There are numerous tax-qualified arrangements for options (approved share schemes) and stock purchase programs (SAYE and SIP). Under the tax-qualified arrangements, it is possible to defer the payment of income tax and eliminate most of the employee and employer NICs. The tax-qualified arrangements generally must be approved by the HMR&C and are heavily regulated.

REGULATORY ISSUES

- Securities Laws**
The EU Prospectus Directive has been incorporated into local law (see Appendix I).
- Exchange Controls**
None.
- Data Privacy**
Registration of data processing and transfer activities may be required. Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

- Employee Rights**
Recent court decisions indicate that there may be an issue relative to inclusion of the award benefits in calculation of severance. The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.
- Discrimination based on age, gender, or other protected status is prohibited.
- Consultation with the works council or labor representative (if any) may be required prior to introduction of or any major change relative to an equity program.
- Payroll Deductions**
Permitted.

IMPLEMENTATION ✓ CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Confirm no action required.
	<input type="checkbox"/>	Consider whether to offer a tax-qualified program. If so, obtain HMR&C approval.
	<input type="checkbox"/>	Consider passing through employer NICs to the employees. If so, obtain HMR&C approval.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether exemption applies. If applies, calendar reporting requirement. If no exemption applies, prepare and file a prospectus.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
	<input type="checkbox"/>	Confirm HR practices include registration of databases with the data protection authorities.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	Establish whether the local entity has a relationship with a works council. If so, review terms of works council agreement or relationship to determine whether consultation with works council is required before implementing, modifying, or terminating the equity programs.

UNITED STATES

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock		■		■

Notes:

- Incentive stock options (“ISOs”) are not taxable at exercise (income is deferred until sale of the underlying shares). However, AMT applies to the spread at exercise for ISOs.
- Most purchase rights under an ESPP are not taxable at purchase, so long as the ESPP is qualified under IRC §423.

Taxable Amount	Generally, the taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Both the employee and the employer have a social insurance obligation. The employee obligation is subject to an income cap.
Withholding	ISOs and purchase rights granted under IRC §423 are not subject to income tax withholding, however, social insurance withholding may apply. For non-qualified options and purchase rights, as well as RSUs and restricted stock, withholding is required for both income tax and social insurance contributions.
Reporting	ISOs and purchase rights granted under IRC §423 are not subject to income tax reporting requirements, however, social insurance reporting may apply. For non-qualified options and purchase rights, as well as RSUs and restricted stock, reporting is required.
Local Tax Deduction	A local tax deduction for non-qualified stock options, non-qualified purchase rights, restricted stock and RSUs should be available. The amount of the tax deduction should be the same as the income recognized by the employee. ISO's and purchase rights granted under IRC §423 are not eligible for a local tax deduction unless the shares are sold under a disqualifying disposition (i.e., within two years from grant and one year from purchase/exercise).
Tax-Favored Program	Tax-favored programs are available for options and purchase rights.

REGULATORY ISSUES

Securities Laws

Employee stock awards may be regulated by both federal and state securities laws. From the federal perspective, the securities must be either registered with the SEC or meet with criteria that would exempt them from registration requirements. If the company already has securities registered with the SEC, the shares reserved under the stock plan must be registered (typically with a Form S-8). Under the S-8 rules, the issuing company must provide the employees with a prospectus about the offering. Companies that do not have securities registered with the SEC generally avoid registration by relying on an exemption (e.g., Rule 701 or Regulation D, as well as state securities law exemptions). For these exemptions, factors to consider are the number and value of shares to be offered, the number of offerees, and the type of offerees. The state securities laws must be reviewed on a state-by-state basis.

Exchange Controls

Generally none.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Permitted.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Comply with withholding and reporting requirements for stock awards.
	<input type="checkbox"/>	Consider whether to structure a tax-qualified program for options and purchase rights.
REGULATORY ISSUES	<input type="checkbox"/>	For securities compliance, establish whether an exemption applies at both federal and state level. If no exemption applies, comply with applicable federal and state registration and disclosure requirements.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.

VIETNAM

GENERAL TAXATION

		Taxable Event			
		Grant	Vesting	Exercise/ Purchase	Sale of Shares
Form of Award	Options			■	■
	RSUs		■		■
	Purchase Rights			■	■
	Restricted Stock	■			■

Taxable Amount	The taxable amount is the difference between the fair market value of the shares at the time of the taxable event and the amount, if any, paid by the employee.
Social Insurance	Social insurance obligations should not apply to stock awards.
Withholding	Withholding is required.
Reporting	Reporting is required.
Local Tax Deduction	A chargeback arrangement is usually not feasible due to exchange control restrictions.
Tax-Favored Program	None available.

REGULATORY ISSUES

Securities Laws

The offer of employee stock awards is not subject to securities registration or disclosure requirements.

Exchange Controls

State Bank of Vietnam ("SBV") registration is generally required in order to operate an employee stock program in Vietnam. The SBV has recently begun to approve programs that allow employees to benefit from the proceeds of the shares, but not to hold shares in a foreign company. The SBV will likely require that all stock awards granted to Vietnamese employees mandate cashless exercise or the quick sale of shares. In the future, the SBV may liberalize its restrictions and allow a Vietnamese employee to hold shares under an employee stock program provided that no funds are transferred out of the country to obtain such shares. Ongoing annual reporting requirements apply to all companies that obtain SBV approval.

Data Privacy

Award agreements should include employee consent to the processing and transfer of personal data.

EMPLOYMENT CONSIDERATIONS

Employee Rights

The potential for successful employee acquired rights claims is moderate. Award agreements should include a waiver of rights to benefits beyond the scope of the stock plan.

Discrimination based on age, gender, or other protected status is prohibited.

Payroll Deductions

Exchange control considerations affect the administration of payroll deductions. Approval from the SBV may be required to offer the ESPP.

IMPLEMENTATION CHECKLIST

GENERAL TAXATION	<input type="checkbox"/>	Comply with withholding and reporting requirements for stock awards.
REGULATORY ISSUES	<input type="checkbox"/>	For exchange control compliance, obtain SBV approval for operation of programs in Vietnam.
	<input type="checkbox"/>	Comply with annual reporting requirements and other guidelines relative to SBV approval.
	<input type="checkbox"/>	Modify award agreements to have employees consent to the processing and transfer of personal data.
EMPLOYMENT CONSIDERATIONS	<input type="checkbox"/>	Modify award agreements to include employee acquired rights waiver.
	<input type="checkbox"/>	If operating a stock purchase plan, consider exchange control compliance alternatives for effecting payroll deductions.

Appendix I

EU Prospectus Directive

On December 31, 2003, the European Parliament published Directive 2003/71/EC on the Prospectus to be Published when Securities are Offered to the Public or Admitted to Trading (the "EU Prospectus Directive" or "Prospectus Directive"). EU Member States were required to enact domestic legislation implementing the Directive by July 1, 2005.

The Member States, and certain other EEA member countries, have enacted securities legislation that implements the Prospectus Directive, and generally requires a prospectus to accompany all "offers of securities to the public," subject to certain exemptions. However, the implementation of the Prospectus Directive into local law has not been consistent across the EEA. One area of inconsistent application is the interpretation of whether employer stock awards are considered securities subject to the prospectus requirements. Because of the inconsistent application, prospectus requirements for the grant of stock awards must be analyzed on a country-by-country basis.

In determining whether the prospectus requirements apply to the offer of employee stock awards, the issuing company must consider a number of factors, including:

- The type of stock awards offered (*i.e.*, options, restricted stock, RSUs, purchase rights, etc.)
- The number of employees in each member state who will receive the offer of stock awards
- The value of the offer of stock awards across the EEA and the total aggregate value in the EU
- Whether the issuing company is listed on an EU-regulated exchange

If the issuing company is subject to the prospectus requirements, it must then determine which of the member states is the appropriate regulator for the prospectus filing (referred to as the home member state). The home member state is typically the member state in which the issuing company first offered securities that were subject to prospectus requirements after July 1, 2005.

In December of 2007, the Committee of European Securities Regulators (CESR) released a public statement announcing it would begin drafting new recommendations for the treatment of employee stock plans under the Prospectus Directive. The public statement was released in response to a letter written by European Commission (EC) member Charlie McCreevy to CESR requesting CESR's assistance on the issue of employee stock plans.

Until amendments can be made to the Prospectus Directive, and/or publication of the new recommendations described above, the EC requests that securities regulators apply a "light touch" approach when considering whether a prospectus is required for an employee stock offering. If the member state's securities regulators still require that a prospectus be filed during this interim period, the EC suggests that a short-form disclosure be used. Existing provisions in the Prospectus Directive support a short-form disclosure under which much less information would be provided to employees offered shares under an employee stock plan than is currently required in a full-blown prospectus.

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