



Countries at a Glance

September 2014

Countries at a Glance

Countries at a Glance is a regular publication from White & Case's Global Employment & Benefits Group which outlines some of the key legal and tax issues that arise from the operation of equity-based compensation plans of all different types, in countries across the world.

This summary includes six major countries and illustrates the type of information that we are able to supply to our clients.

If you are interested in learning more about how we can help you, or would like to receive similar information on other countries, or more detailed information on these or other countries, please contact one of the people listed below.

About White & Case

White & Case is a leading global law firm with lawyers in 39 offices in 26 countries.

Among the first firms to establish a truly global presence, we provide counsel and representation in virtually every area of law that affects cross-border business. Our clients value both the breadth of our organisation and the depth of our English, US and local law capabilities in each of our offices and rely on us for their complex cross-border transactions, arbitration and litigation.

Whether in established or emerging markets, the hallmark of White & Case is our complete dedication to the business priorities and legal needs of our clients.

Our Employment & Benefits Group

Our Employment & Benefits Group numbers more than 50 lawyers worldwide. We advise clients from all over the world on employment and benefits issues and offer extensive expertise in global equity-based compensation plans. Our work includes:

- Implementing global equity-based compensation plans.
- Advising companies on the effects of major transactions on their equity-based compensation plans.
- Implementing equity-based compensation plans for companies preparing for IPO.
- Establishing offshore trusts for the benefit of employees.
- Implementing global repricing and exchange programs for underwater options.
- Implementing global stock appreciation rights plans.
- Implementing global profit-sharing plans.
- Advising companies regarding equity-based compensation plans on the spin-off of divisions.

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Important Note

In preparing the country summaries for global equity-based compensation plans contained in this booklet, we have attempted to provide, for guidance only and not as legal advice, the most up-to-date information available on relevant law and practice in each country. Each summary is intended to reflect such law and practice as at 1 September 2014. Please note, however, that recent amendments and legal interpretations of the local law may not be included in these summaries. In addition, corporate governance, administration, and plan design facts that are specific to your company may impact how local laws affect the company's equity-based compensation plans.

With these matters in mind, companies should not rely on the information provided in these summaries when implementing their Plans. We would be happy to assist your company in reviewing all pertinent information and developing a comprehensive strategy for offering its equity-based compensation plans globally.

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Australia

Employment

Labor Concerns

Employees may have rights to additional vesting or other benefits under the Plan in cases of involuntary termination. To reduce the risk for potential claims to employee entitlements, the Plan should expressly state that participation in the Plan is discretionary and that termination of employment will result in the loss of unvested Stock.

Communications

Additional Australia-specific employee communications may be necessary depending on the securities exemption relied upon (see below). Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

Certain disclosure requirements apply to companies that offer securities unless such an offer falls within: (i) a specific exemption under the Corporations Act; (ii) a Class Order exemption issued by the Australian Securities & Investments Commission ("ASIC"); or (iii) an individual exemption granted by ASIC. Filings and disclosure obligations may apply even if an exemption is relied upon. Additional requirements may attach to savings arrangements.

Foreign Exchange

There are no foreign exchange restrictions applicable to the Plan.

Data Protection

Employee consent for the processing and transfer of personal data is the recommended method of compliance with existing data privacy requirements. The Subsidiary and Issuer should implement safeguards so that (i) the use of the employees' tax identification information is restricted to tax purposes; and (ii) the use of other personal data is restricted to specific purposes disclosed in a written consent.

Tax

Employee Tax Treatment

Where a real risk of forfeiture or salary sacrifice arrangement exists, tax is payable at the deferred taxing point, which is broadly the earliest of: (i) there no longer being a real risk of forfeiture (for example when Stock is acquired unconditionally); (ii) no restriction on disposal; (iii) cessation of employment; and (iv) the seventh anniversary of grant. Otherwise, tax is payable on the tax market value of the Stock purchased at the time of acquisition.

If the number of shares of Stock to be acquired is not known, then the calculation of any tax due can only be made when that becomes known. The taxing point will be the date the right was originally granted (or, if later, the deferred taxing point), and it may therefore be necessary to revise an earlier year's tax assessment.

When the Stock is sold, a 50% exemption on the capital gains (after allowing for capital losses) is available if the Stock has been held for 12 months or more.

Social Insurance Contributions

The benefits received under a purchase plan are subject to a Medicare levy and, in some cases, an additional surcharge.

Withholding and Reporting

There is no obligation on the employer to withhold tax, unless an employee has failed to supply a tax file number. Employers are required to report annually the acquisition of Stock or rights and, if tax has become payable by any employee during the relevant financial year, the market value of the Stock or rights at the taxing time.

Employer Tax Treatment

In all Australian States and Territories, the Plan benefit is included in the calculation of the employer's payroll tax. If the Subsidiary reimburses the Issuer for the cost of Plan benefits under a reimbursement agreement, the Subsidiary is permitted to claim a tax deduction.

Employment

Labor Concerns

Employee entitlement claims may arise with the offer of the Plan. The Plan and related agreements must be carefully drafted to ensure that the employer retains the right to amend or terminate the Plan. In addition, enrollment forms should clearly provide that purchase rights expire upon a termination of employment.

It is necessary for the Plan to be drafted to limit rights during a period of termination of employment. It should be clearly stated that the termination of employment is the last day of active employment with the Subsidiary and that vesting rights will not be influenced by a period of notice that is given, or ought to have been given, under statute, contract or at common law.

It is also important that the Plan be drafted so as not to unintentionally result in a discrimination complaint. For example, if the Plan is more beneficial to employees of a specific age, then it may be at risk of a discrimination complaint.

Communications

For employees in Quebec, documents related to the Plan must generally be remitted to employees in the French language, unless an employee expressly agrees to receive documents in English.

Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

The offer of Stock under the Plan to employees in Canada is generally exempt from the prospectus and registration requirements of Canadian securities laws based on exemptions contained in National Instrument 45-106. Any disclosure documents delivered to employees in Quebec must be filed with the Autorité des Marchés Financiers ("AMF"). There are no fees payable in connection with this filing and there is no formal review of the documents by the AMF.

Foreign Exchange

There are no foreign exchange restrictions applicable to the Plan.

Data Protection

Employee consent for the processing and transfer of personal information is the recommended method of compliance with existing data privacy requirements. Quebec has additional data protection requirements.

Tax

Employee Tax Treatment

Employees are taxed on the spread in the year the purchase right is exercised. The employee will also be subject to tax on one half of any capital gain realized upon subsequent sale of the Stock.

Social Insurance Contributions

Social insurance obligations generally are levied on an employee's earnings, including Plan benefits, up to an earnings cap.

Tax-Favored Program

None.

Withholding and Reporting

The employer has a reporting and withholding obligation with respect to income received by an employee under the Plan.

Employer Tax Treatment

The Subsidiary may not claim a local tax deduction for the cost of Plan benefits, unless it makes a contribution for the purchase of Stock on the open market.

China

Employment

Labor Concerns	The requirement that employers in China remunerate employees in cash only, rather than in negotiable securities, is unlikely to be problematic provided that purchase rights are clearly designated as bonuses paid alongside regular cash wages.
Communications	The translation of Plan documents is recommended but not required. Government filings must be in Mandarin.

Regulatory

Securities Compliance	<p>There are generally no specific laws or regulations that address equity incentive programs offered by foreign issuers to their Chinese resident-employees. As an exception, the Securities Law applies to all entities engaged in the issuance of securities in China. Under the Securities Law, if securities are issued to more than 200 specified persons, the issuance may constitute a “public offering” of securities.</p> <p>A “public offering” is subject to approval from the China Securities Regulatory Commission (the “CSRC Approval”). However, there is currently no formal process in place to obtain CSRC Approval for stock-based equity awards by a foreign company to its Chinese resident employees.</p>
Foreign Exchange	Operating the Plan in China is likely to require the approval of the State Administration of Foreign Exchange (“ SAFE ”), which operates a specific regime dealing with the withdrawal, outflow and conversion of foreign currencies in relation to equity-based compensation plans. The regime will involve the Subsidiary or another agent establishing a special onshore account through which all Plan-related payments must be made. Obtaining approval for the Plan may be time-consuming and costly, with many documents requiring translation. Following the initial approval, quarterly reports are required on the status of the Plan.
Data Protection	It is recommended that an employer discloses its data processing activities to all employees and that an employer obtains employee consent prior to transferring his or her personal data outside of China.

Tax

Employee Tax Treatment	Employees who are taxable for Chinese individual income tax purposes are subject to individual employment income tax on the difference, if any, between the acquisition price and the then market value (i.e. the “spread”). Such employees are also subject to individual income tax on any subsequent gain realized from the sale of the Stock.
Social Insurance Contributions	Income from the exercise of purchase rights may be subject to social insurance contributions, including the Unified Pension Fund, depending on the practice and position taken by the local labor and social insurance bureau.
Tax-Favored Program	In certain circumstances, employees may be able to defer the payment of tax upon approval from the local tax authorities over a period of up to six months.
Withholding and Reporting	If the Subsidiary is involved in the offer of benefits to its employees, and is charged for the related costs incurred, it is likely withholding and reporting are required.
Employer Tax Treatment	The Subsidiary should be able to claim a deduction for the reasonable costs it incurs due to its involvement in the Plan, provided the recipients are employees of the Subsidiary and those costs are related to its business operations.

Employment

Labor Concerns

In order to reduce the risk of German employment law restrictions applying to purchase rights granted to German employees, it is recommended that the Subsidiary is not involved in the Plan or party to any enrolment documentation or purchase agreements.

Employees should expressly agree that termination of employment will result in the loss of unvested rights and that the Plan is discretionary and voluntary.

If the Subsidiary sets up the Plan, it should be determined whether consultation is required with the German works council regarding the terms of the Plan.

Communications

The translation of Plan documents for employees is recommended but is not legally required. Government filings must be in German.

Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

It is possible that a prospectus will be required for participation in the Plan to be offered to employees in Germany and other Member States. However, certain exemptions, exclusions and interpretations may be applicable and, in practice, a prospectus is rarely required. For example, offers made to no more than 150 persons in any one Member State are exempt and certain listed companies are required only to publish summary information about the Plan and the Stock in substitution for a prospectus. Where a prospectus is required, the Issuer may be able to take advantage of a short form regime under which certain requirements for the prospectus' contents are waived. Any prospectus must be approved by the relevant regulatory authority in the Issuer's Home Member State and filed under the passporting system with the relevant regulatory authority of each Member State in which participation in the Plan is being offered.

If the Plan qualifies as an investment fund, the German Investment Funds Act (InvG) would need to be considered.

Foreign Exchange

Minor statistical reporting is required in some circumstances. See section 59, paragraph 2(1) of the German Foreign Trade Order (Außenwirtschaftsverordnung).

Data Protection

Employee consent for the collection, use, and transfer of personal data is the recommended method of compliance with existing data privacy requirements. If consent is given together with other declarations, it must be distinguishable in its appearance from the other declarations (e.g., by using a different type-face). Additionally, employees must be informed of the purpose for which their information will be processed. Employers may be required to register certain data processing activities with Germany's data protection authorities.

Collecting, processing and transfer of personal data should be assessed under the German "Policy for Employee's Data Privacy".

Tax

Employee Tax Treatment

The employee is subject to income tax at the time the Stock is booked into the employee's deposit account. The amount of income subject to tax is the spread between the fair market value of the Stock at the time of its purchase minus the amount paid for the Stock, if any.

In addition, the sale of Stock will, in general, be subject to a separate tax rate of 25% (so-called flat tax, Abgeltungsteuer), plus 5.5% solidarity surcharge thereon and, if applicable, church tax. The flat tax regime will, however, not apply if the employee at any point in time during the five years preceding the sale has held a stake representing 1% or more directly or indirectly of the share capital of the Issuer. In this case, the so-called part-income system applies, according to which 40% of the capital gains are tax exempt and the remaining 60% of the capital gains are subject to tax at the employee's personal income tax rate.

Germany contd.

Social Insurance Contributions

Generally, both the employer and employee must pay social insurance on the spread, to the extent that the employee has not exceeded the wage base threshold.

Tax-Favored Program

There is a minor tax exemption (up to 360 EUR per annum) for the granting of Stock of the employing company or a related group company if the Plan is available to all employees. In addition, a reduction in tax rates may apply if Stock is granted as part of remuneration for several years.

Withholding and Reporting

Withholding and reporting are required.

Employer Tax Treatment

A deduction is generally available if the Subsidiary reimburses the Issuer pursuant to a written agreement.

Employment

Labor Concerns	Appropriate language should be included in enrolment forms stating that the employee has no rights to compensation for loss of rights under the Plan in the event of their termination of employment. The exclusion of part-time employees or employees on disability or maternity leave generally constitutes unlawful discrimination.
Communications	There are no legal requirements specific to employee communications. Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance	It is possible that a prospectus will be required for participation in the Plan to be offered to employees in the UK and other Member States. However, certain exemptions, exclusions and interpretations may be applicable and, in practice, a prospectus is rarely required. For example, offers made to no more than 150 persons in any one Member State are exempt and certain listed companies are required only to publish summary information about the Plan and the Stock in substitution for a prospectus. Where a prospectus is required, the Issuer may be able to take advantage of a short form regime under which certain requirements for the prospectus' contents are waived. Any prospectus must be approved by the relevant regulatory authority in the Issuer's Home Member State and filed under the passporting system with the relevant regulatory authority of each Member State in which participation in the Plan is being offered.
Foreign Exchange	There are no foreign exchange restrictions applicable to the Plan.
Data Protection	Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Employers are required to register data processing activities with the UK Information Commissioner.

Tax

Employee Tax Treatment	For purchase rights granted under non tax-favored (i.e. "unapproved") plans, income tax is imposed on the spread upon the purchase of the Stock, i.e., the excess of the market value of the Stock at that time over the amount paid for the Stock. Capital gains tax ("CGT") will apply on sale of the Stock.
Social Insurance Contributions	For purchase rights granted under unapproved plans, national insurance contributions ("NICs") are generally payable by both employer and employee on the spread upon the purchase of Stock. The employer may transfer its NICs liability to the employee with the employee's prior consent.
Tax-Favored Program	Favorable tax treatment is available for certain "approved" plans which involve the purchase of Stock (SAYE and SIP). Under SAYE, where savings are accumulated over a 3, 5 or 7 year period, income tax is not generally payable on purchase of the Stock (N.B. the 7 year savings period has been withdrawn with effect from 23 July 2013). Under SIP, employees are able to purchase Stock from their gross salary, subject to certain limits and conditions, including a 3 year holding period. CGT is payable on sale of the Stock under SAYE, subject to an individual annual exemption.
Withholding and Reporting	Wherever income tax is payable, withholding of income tax and NICs will generally be required. Reporting requirements apply to both unapproved and approved plans.
Employer Tax Treatment	If the Subsidiary reimburses the Issuer and documents the reimbursement, it generally may take a tax deduction for the costs of the Plan as a salary expense. Alternatively, provided certain conditions are met, the employer may be entitled to statutory corporation tax relief for any difference between the market value of the Stock at the time of acquisition and the amount paid for the Stock.

United States

Employment

Labor Concerns

A claim for breach of contract could arise where a Plan is amended or discontinued. It is recommended that Plan provisions be drafted so as to preclude leased and/or temporary employees and independent contractors from claiming entitlements under the Plan (absent a specific intention to include these workers). Plans should be drafted to permit unilateral amendment or termination of the Plan, and employees should be required to acknowledge the discretionary nature of the Plan.

Employers may not deny, directly or indirectly, employees the opportunity to participate in the Plan based on any prohibited grounds of discrimination, including, among others, race, color, religion, sex, national origin, citizenship, age, disability, uniformed service or any other status protected by federal, state or local law.

Communications

Plan documents should be translated into English unless the participant speaks the language in which the documents are written. Most government filings must be made in English (although certain documents may be filed with a summary in English).

Generally, the electronic execution of agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

Federal and state securities laws govern the grant of securities under employee benefit plans, including employee stock purchase plans. Under the US Securities Act of 1933 (the "**Securities Act**"), unless an exemption is available, any offer or sale of a security must be registered with the US Securities and Exchange Commission (the "**SEC**"). The SEC has created a special exemption and a special registration process for offers and sales of securities in connection with employee benefit plans:

Reporting companies. Companies with a class of securities registered under the Securities Exchange Act of 1934 (the "**Exchange Act**") – which includes, among others, companies listed on a US stock exchange – are allowed to use a streamlined registration statement called a Form S-8. Form S-8 requires less disclosure than other SEC registration forms. To be eligible to use this form, the company must have filed all required reports during the preceding 12 months (or such shorter period as the company was required to file). The Form S-8 is filed with the SEC and is generally no more than ten pages long. Separate from the Form S-8, the company must deliver to employees a prospectus containing a description of the Plan, together with the company's most recent annual report.

Non-reporting companies. Private companies in the United States cannot use Form S-8. However, they are permitted to grant a limited amount of securities under employee benefit plans pursuant to a special exemption contained in Rule 701 under the Securities Act. There are no special information requirements for employees unless the value of securities issued in any 12-months period exceeds \$5 million, at which point financial statements and other disclosure must be provided.

Reporting and non-reporting companies can use other exemptions that are available under the Securities Act. For example, the exemption for the issuance of securities to accredited investors under Regulation D may be available for grants to executive officers. Failure to comply with registration or exemption requirements may give employees rescission rights or the right to sue for damages if they no longer own Stock.

While the SEC is responsible for enforcing of the United States Federal securities laws, each individual state has its own securities laws, referred to as "blue sky laws", and its own regulatory agency which administers the law, typically known as the state Securities Commissioner. Blue sky laws are often superseded by Federal law, particularly with respect to reporting companies, but they do apply to non-reporting companies. In addition, blue sky laws vary widely from state to state. Therefore, while most state blue sky laws have exemptions from registration for stock incentive plans that are exempt from federal registration, some do not, and a few require notice or a streamlined registration procedure. The laws of each state where any Plan participant resides must be checked prior to undertaking any securities offerings or sales in that state.

Foreign Exchange

There are no exchange controls in the US.

Data Protection

In the US there is no all-encompassing data protection law that covers the entire economy. Rather, there are sector-specific federal data protection laws, and each state has its own sector-specific data protection laws. Employers should obtain the employees' express written consent as to the use and disclosure of their personal data. Such consent must be broad enough to cover any use or disclosure that will be made of the data. Further, any use or disclosure of the data should conform to any stated internal policies of the employer regarding the use and disclosure of the personal data of employees.

Tax**Employee Tax Treatment**

This section applies to rights granted under an employee stock purchase plan that satisfies the requirements of Section 423 of the Internal Revenue Code (as described under "Tax-Favored Program" below). No tax is payable upon grant of the right. Amounts deducted from the employee's compensation under the Plan during Plan offering periods are included in the employee's taxable ordinary income. Generally, when an employee exercises a right to purchase Stock under the Plan, the employee recognizes no immediate taxable income. If, however, the employee does not qualify for this favorable tax treatment (for either of the reasons described below), the employee will recognize taxable compensation income equal to the "spread" i.e. the excess of the value of the Stock received over the purchase price of the Stock when the employee exercises the right.

The employee's favorable tax treatment upon exercise of the purchase right can be lost in the following two circumstances. The first, a "disqualifying disposition", occurs if the employee sells the Stock received upon the exercise of the right within two years after the date the right was granted or within one year after the date the right was exercised. In that circumstance, the employee recognizes the spread as taxable compensation income at the time of the disqualifying disposition. The second occurs if the employee was not employed by the employer at all times during the period beginning on the date the right was granted and ending on the date three months before the right is exercised. In that circumstance, the employee recognizes the spread as taxable compensation income at the time the employee exercises the right.

Generally, when the employee sells Stock purchased upon exercise of a purchase right under the Plan, some or all of the gain is taxed as capital gain. The "gain" equals the excess of the sale price over the purchase price of the Stock, or, in the case of a disqualifying disposition, over the value of the Stock on the purchase date. If the sale of the Stock does not result in a disqualifying disposition, and if the purchase price payable upon exercise of the right is less than 100% of the Stock's fair market value at the time the right was granted, a portion of the gain will be taxed as ordinary income. The ordinary income portion of the gain equals the lesser of (a) the amount, if any, by which the Stock's fair market value when the right was granted exceeds the purchase price, determined as of the grant date, and (b) the amount, if any, by which the Stock's fair market value at the time of sale exceeds the purchase price paid. If the sale of the Stock does result in a disqualifying disposition, the entire amount of the gain is taxed as a capital gain. An employee may also be subject to the "net investment income" tax, depending on the employee's circumstances. Net investment income includes, amongst other things, dividends and gains from the disposition of stock.

Social Insurance Contributions

Neither the exercise of a purchase right under the Plan nor a disposition of Stock (whether or not in a disqualifying disposition) is subject to social security contributions.

Tax-Favored Program

Many employee stock purchase programs in the US are structured to comply with the requirements of Section 423 of the Internal Revenue Code, and afforded the tax treatment described above. Qualified employee stock purchase plans must, among other requirements, (1) be maintained only for employees, (2) be approved by shareholders, (3) offer securities with a purchase price not less than the lesser of 85% of the fair market value of the Stock at the beginning of the offering period and the end of the offering period, and (4) not permit an employee to purchase more than \$25,000 worth of Stock (determined as of the grant date of the right) for each calendar year in which the offering period is in effect. Employee stock purchase plans that do not comply with Section 423 have the same tax consequences as nonqualified stock options, as described in the "Stock Option Plans" section.

United States contd.

Withholding and Reporting

Neither the exercise of a purchase right under the Plan (as described under "Employee Tax Treatment" above) nor a disposition of Stock (whether or not in a disqualifying disposition) is subject to income tax withholding. However, income taxable upon a disqualifying disposition is reportable by the employer on Form W-2.

Additionally, an employer that in the preceding year recorded the first transfer of legal title of Stock purchased by an employee under the Plan, if the purchase price of the Stock was (a) less than 100% of the fair market value of the Stock on the grant date or (b) not fixed or determinable on the grant date, must furnish the employee with a statement, and file a return with the Internal Revenue Service, that includes certain information concerning the employer, the employee, the purchase right and the Stock.

Employer Tax Treatment

The employer does not receive a tax deduction when an employee exercises a right to purchase Stock under the Plan. However, if the employee does not qualify for the favorable tax treatment described above, the employer receives a tax deduction equal to the "spread" reported as taxable ordinary income by the employee, so long as the employer timely complies with the Form W-2 reporting requirements described above.

Employment

Labor Concerns	Employees may have rights to additional vesting or other benefits under a restricted stock or RSU plan in cases of involuntary termination. To reduce the risk of potential claims to employee entitlements, the Plan should expressly state that participation in the Plan is discretionary and that termination of employment will result in the loss of unvested rights/restricted stock.
Communications	Additional Australia-specific employee communications may be necessary depending on the securities exemption relied upon (see below). Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance	Certain disclosure requirements apply to companies that offer securities unless such an offer falls within: (i) a specific exemption under the Corporations Act; (ii) a Class Order exemption issued by the Australian Securities & Investments Commission (“ASIC”); or (iii) an individual exemption granted by ASIC. Filings and disclosure obligations may apply even if an exemption is relied upon.
Foreign Exchange	There are no foreign exchange restrictions applicable to restricted stock and RSU plans.
Data Protection	Employee consent for the processing and transfer of personal data is the recommended method of compliance with existing data privacy requirements. The Subsidiary and Issuer should implement safeguards so that (i) the use of the employees’ tax identification information is restricted to tax purposes; and (ii) the use of other personal data is restricted to specific purposes disclosed in a written consent.

Tax

Employee Tax Treatment	<p>Where a real risk of forfeiture exists, or restricted stock is provided under a salary sacrifice arrangement, tax in relation to restricted stock is payable at the deferred taxing point, which is broadly the earliest of: (i) there no longer being a real risk of forfeiture; (ii) no restriction on disposal; (iii) cessation of employment; and (iv) the seventh anniversary of grant. Otherwise, tax is payable on the market value of restricted stock at the time of grant. In relation to RSUs, tax is payable on the market value of the managing Stock when the employee becomes unconditionally entitled to receive such Stock.</p> <p>When the Stock is sold, a 50% exemption on capital gains is available (after allowing for capital losses) if the Stock has been held for 12 months or more.</p>
Social Insurance Contributions	The benefits received under a restricted stock or RSU plan are subject to a Medicare levy, and in some cases, an additional surcharge.
Withholding and Reporting	There is no obligation on the employer to withhold tax, unless an employee has failed to supply a tax file number. Employers are required to report annually the acquisition of Stock or the grant of rights and, if tax has become payable by any employee during the relevant financial year, the market value of the Stock or rights at the taxing time.
Employer Tax Treatment	In all Australian States and Territories, the Plan benefit is included in the calculation of the employer’s payroll tax. If the Subsidiary reimburses the Issuer for the cost of the Plan benefits pursuant to a written reimbursement agreement, the Subsidiary is permitted to claim a tax deduction.

Canada

Employment

Labor Concerns

Employee entitlement claims may arise with the offer of restricted stock or RSUs. The Plan and related agreements must be carefully drafted to ensure that the employer retains the right to amend or terminate the Plan. The award agreements should include provisions stating that vesting related to the restricted stock or RSU plan will cease upon termination of employment.

It is necessary for the Plan to be drafted to limit rights during a notice period of termination of employment. It should be clearly stated that the termination of employment is the last day of active employment with the Subsidiary and that vesting rights will not be influenced by a period of notice that is given, or ought to have been given, under statute, contract or at common law.

It is also important that the Plan be drafted so as not to unintentionally result in a discrimination complaint. For example, if the Plan is more beneficial to employees of a specific age, then it may be at risk of a discrimination complaint.

Communications

For employees in Quebec, documents related to the Plan must generally be remitted to employees in the French language, unless an employee expressly agrees to receive documents in English.

Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

The offer of restricted stock or RSUs to employees in Canada is generally exempt from the prospectus and registration requirements of Canadian securities laws based on exemptions contained in National Instrument 45-106. Any disclosure documents delivered to employees in Quebec must be filed with the Autorité des Marchés Financiers (“AMF”). There are no fees payable in connection with this filing and there is no formal review of the documents by the AMF.

Foreign Exchange

There are no foreign exchange restrictions applicable to restricted stock or RSU plans.

Data Protection

Employee consent for the processing and transfer of personal information is a recommended method of compliance with existing data privacy requirements. Quebec has additional data protection requirements.

Tax

Employee Tax Treatment

The employee is subject to tax on the value of the Stock when the restricted stock is granted. The employee is generally subject to tax on the value of the Stock when the RSU award is settled. The employee also is subject to tax on one-half of any capital gain realized upon subsequent sale of the Stock.

Social Insurance Contributions

Social insurance obligations are levied on an employee’s earnings, including Plan benefits, up to an earnings cap.

Tax-Favored Program

None.

Withholding and Reporting

The employer has a reporting and withholding obligation that applies to the proceeds received by employees through the Plan.

Employer Tax Treatment

The Subsidiary may not claim a local tax deduction for the costs of the Plan, unless it makes a contribution for the purchase of Stock on the open market.

Employment

Labor Concerns	The requirement that employers in China remunerate employees in cash only, rather than in negotiable securities, is unlikely to be problematic provided that restricted stock or RSU awards are clearly designated as bonuses paid alongside regular cash wages.
Communications	The translation of Plan documents is recommended but not required. Government filings must be in Mandarin.

Regulatory

Securities Compliance	<p>Provided that the restricted stock and RSUs are granted to a limited number of employees of the same company for no cost and are not assignable by the employees, then the receipt of restricted stock or RSUs, as a matter of current practice by the China Securities Regulatory Commission (the “CSRC”), should not be subject to Chinese securities regulatory formalities.</p> <p>Under the Securities Law, if securities are issued to more than 200 specified persons, the issuance may constitute a “public offering” of securities, which is subject to approval from the CSRC (the “CSRC Approval”). Therefore, if a foreign company issues stock-based equity awards to a large number of Chinese employees, such awards may also be subject to the CSRC Approval. However, at present, there is no formal process in place to obtain such CSRC Approval for the issuance of stock-based equity awards by a foreign company to its Chinese resident-employees.</p>
Foreign Exchange	Operating the Plan in China is likely to require the approval of the State Administration of Foreign Exchange (“ SAFE ”), which operates a specific regime dealing with the withdrawal, outflow and conversion of foreign currencies in relation to equity-based compensation plans. The regime will involve the Subsidiary or another agent establishing a special onshore account through which all Plan-related payments must be made. Obtaining approval for the Plan may be time-consuming and costly, with many documents requiring translation. Following the initial approval, quarterly reports are required on the status of the Plan.
Data Protection	It is recommended that an employer discloses its data processing activities to employees and that an employer obtains its employees’ consent prior to transferring their personal data outside of China.

Tax

Employee Tax Treatment	Employees eligible for Chinese individual income tax purposes as residents will be subject to such tax on the fair market value of the Stock (less any amount paid for the Stock). This is taxed as employment income when the restricted stock or RSU award vests. Such employees are also subject to Chinese individual income tax on any subsequent gain realized from the sale of Stock.
Social Insurance Contributions	Income from the restricted stock or RSUs may be subject to social insurance contributions, including the Unified Pension Fund, depending on the practice and position taken by the local labor and social insurance bureau.
Tax-Favored Program	Under current PRC tax rules, the proceeds derived from the vesting of RSUs are expected to be treated as employment income and, as such, can be taxed separately from monthly salary income. Therefore a lower marginal tax may apply to the equity based gains subject to certain registration requirements with the local tax bureau. If the Subsidiary fails to comply with these registration requirements, any income related to RSUs will be taxed together with the participant’s salary income for that month so that participants will potentially be taxed at a higher marginal tax bracket on their total income.

China contd.

Withholding and Reporting

If the Subsidiary is involved in the offer of Plan benefits to its employees and is charged for the related costs incurred, the Subsidiary shall withhold and pay the relevant individual income tax and file individual income tax returns with the tax authorities when the restricted stock or RSU award vests. Upon the implementation of the Plan, the Subsidiary may also be required to submit the Plan to the local tax bureau.

Employer Tax Treatment

The Subsidiary is likely to be eligible for deduction of any reasonable costs that it incurs due to its involvement in the Plan, provided the recipients are employees of the Subsidiary and those costs are related to its business operations.

Employment

Labor Concerns

In order to reduce the risk of German employment law restrictions (including potential invalidity of forfeiture restrictions) applying to the grant of restricted stock or RSUs to German employees, it is recommended that the Subsidiary is not involved in the award of restricted stock or RSUs or party to any award agreement.

Employees should expressly agree that termination of employment will result in the loss of unvested rights and that the Plan is discretionary and voluntary.

If the Subsidiary sets up the Plan, it should be determined whether consultation is required with the German works council regarding the terms of the Plan.

Communications

The translation of restricted stock and RSU plan documents for employees is recommended, but not legally required. Government filings must be in German. Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

Neither the award nor the vesting of restricted stock or RSUs is likely to trigger any prospectus requirement, provided that the restricted stock or RSUs are awarded and vest free of charge.

Foreign Exchange

Minor statistical reporting may be required. See section 59, paragraph 2(1) of the German Foreign Trade Order (Außenwirtschaftsverordnung).

Data Protection

Employee consent for the collection, use, and transfer of personal data is the recommended method of compliance with existing data privacy requirements. If consent is given together with other declarations, it must be distinguishable in its appearance from the other declarations (e.g., by using a different type-face). Additionally, employees must be informed of the purpose for which their information will be processed. Employers may be required to register certain data processing activities with Germany's data protection authorities.

Collecting, processing and transfer of personal data should be assessed under the German "Policy for Employee's Data Privacy".

Tax

Employee Tax Treatment

The employee is, in general, subject to income tax when the restricted stock is granted or the RSUs are paid out in cash or in Stock. The amount of income subject to tax is the difference between the fair market value of the Stock at the time of its grant or the cash paid out minus the amount paid for the grant, if any.

In addition, the sale of the Stock will, in general, be subject to a separate tax rate of 25% (so-called flat tax, Abgeltungsteuer), plus 5.5% solidarity surcharge thereon and, if applicable, church tax. The flat tax regime will, however, not apply if the employee at any point in time during the five years preceding the sale has held a stake representing 1% or more directly or indirectly of the share capital of the Issuer. In this case, the so-called part-income system applies, according to which 40% of the capital gains are tax exempt and the remaining 60% of the capital gains are subject to tax at the employee's personal income tax rate.

Social Insurance Contributions

Generally, both the employer and employee must pay social insurance on the taxable income to the extent that the employee has not exceeded the wage base threshold.

Tax-Favored Program

There is a minor tax exemption (up to 360 EUR per annum) for restricted stock granted by the employing company or a related group company if the Plan is available for all employees. In addition, a reduction in tax rates may apply if the Stock is granted as part of remuneration for several years.

Withholding and Reporting

Withholding and reporting are required.

Employer Tax Treatment

A deduction is generally available if the Subsidiary reimburses the Issuer pursuant to a written agreement.

United Kingdom

Employment

Labor Concerns	Appropriate language should be included in restricted stock or RSU agreements stating that the employee has no rights to compensation for loss of rights under the Plan in the event of their termination of employment. The exclusion of part time employees or employees on disability or maternity leave generally constitutes unlawful discrimination.
Communications	There are no legal requirements specific to employee communications. Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance	Neither the award nor the vesting of restricted stock or RSUs is likely to trigger any prospectus requirement, provided that the restricted stock or RSUs are awarded and vest free of charge.
Foreign Exchange	There are no foreign exchange restrictions applicable to the Plan.
Data Protection	Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Employers are required to register data processing activities with the UK Information Commissioner.

Tax

Employee Tax Treatment	<p>Generally, provided the vesting period (and related risk of forfeiture) lasts no more than five years from award and the employer and employee do not elect otherwise, restricted stock will be subject to income tax when the restricted stock vests. As an alternative, the employer and employee may jointly elect for the employee to pay income tax on award of the restricted stock on its full "unrestricted" value at grant. If they do so, there should be no further income tax on the award.</p> <p>The employee will only likely be subject to income tax on the value of the Stock or cash received when an RSU award vests.</p> <p>Capital gains tax is due on the proceeds received from the sale of Stock less the amount upon which income tax has already been charged, subject to reduction by an individual annual exemption.</p>
Social Insurance Contributions	National Insurance Contributions (" NICs ") are generally payable by both employer and employee at the same time and on the same amount as income tax. The employer may transfer its NICs liability to the employee, but only with the employee's prior written consent.
Tax-Favored Program	None.
Withholding and Reporting	Wherever income tax is payable in respect of shares comprising "Readily Convertible Assets", withholding of income tax and NICs will generally be required. Reporting requirements apply to both employer and employee.
Employer Tax Treatment	If the Subsidiary reimburses the Issuer and documents the reimbursement, it generally may take a tax deduction for the costs of the Plan. Alternatively, provided certain conditions are met, the employer may be entitled to statutory corporation tax relief based on the market value of the Stock at the date of acquisition and/or vesting (less any amount paid for the acquisition).

United States

Employment

Labor Concerns

A claim for breach of contract could arise where an equity incentive plan is amended or discontinued. It is recommended that Plan provisions be drafted so as to preclude leased and/or temporary employees and independent contractors from claiming entitlements under the Plan (absent a specific intention to include these workers). Plans should be drafted to permit unilateral amendment or termination of the Plan, and employees should be required to acknowledge the discretionary nature of the Plan.

Employers may not deny, directly or indirectly, employees the opportunity to participate in the Plan based on any prohibited grounds of discrimination, including, among others, race, color, religion, sex, national origin, citizenship, age, disability, uniformed service or any other status protected by federal, state or local law.

Communications

Plan documents should be translated into English unless the participant speaks the language in which the documents are written. Most government filings must be made in English (although certain documents may be filed with a summary in English). Generally, the electronic execution agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

Federal and state securities laws govern the grant of securities under employee benefit plans, including stock incentive plans. Under the US Securities Act of 1933 (the "**Securities Act**"), unless an exemption is available, any offer or sale of a security must be registered with the US Securities and Exchange Commission (the "**SEC**"). The SEC has created a special exemption and a special registration process for offers and sales of securities in connection with employee benefit plans:

Reporting companies. Companies with a class of securities registered under the Securities Exchange Act of 1934 (the "**Exchange Act**") – which includes, among others, companies listed on a US stock exchange – are allowed to use a streamlined registration statement called a Form S-8. Form S-8 requires less disclosure than other SEC registration forms. To be eligible to use this form, the company must have filed all required reports during the preceding 12 months (or such shorter period as the company was required to file). The Form S-8 is filed with the SEC and is generally no more than ten pages long. Separate from the Form S-8, the company must deliver to employees a prospectus containing a description of the Plan, together with the company's most recent annual report.

Non-reporting companies. Private companies in the United States cannot use Form S-8. However, they are permitted to grant a limited amount of securities under employee benefit plans pursuant to a special exemption contained in Rule 701 under the Securities Act. There are no special information requirements for employees unless the value of securities issued in any 12-months period exceeds \$5 million, at which point financial statements and other disclosure must be provided.

Reporting and non-reporting companies can use other exemptions that are available under the Securities Act. For example, the exemption for the issuance of securities to accredited investors under Regulation D may be available for grants to executive officers. Failure to comply with registration or exemption requirements may give employees rescission rights or the right to sue for damages if they no longer own Stock. While the SEC is responsible for enforcing of the United States Federal securities laws, each individual state has its own securities laws, referred to as "blue sky laws", and its own regulatory agency which administers the law, typically known as the state Securities Commissioner. Blue sky laws are often superseded by Federal law, particularly with respect to reporting companies, but they do continue to apply to non-reporting companies. In addition, blue sky laws vary widely from state to state.

Therefore, while most state blue sky laws have exemptions from registration for stock incentive plans that are exempt from federal registration, some do not, and a few require notice or a streamlined registration procedure. The laws of each state where any Plan participant resides must be checked prior to undertaking any securities offerings or sales in that state.

United States contd.

Foreign Exchange

There are no exchange controls in the US.

Data Protection

The US has no omnibus data protection law that reaches all personal data. Rather, it has a patchwork of sector-specific state and federal laws that regulate only certain classes of data. Outside the health care and background-check contexts, much employee information falls beyond the reach of these sector-specific laws. Nevertheless, a best practice in administering equity/benefit plans is to build into Plan enrolment forms a written consent; Plan participants should expressly authorize the use and disclosure of their data for all Plan purposes. Also, Plan administrators must comply with any privacy policy of a sponsor employer, and with document-retention laws that mandate retaining tax-related information for certain periods.

Tax

Employee Tax Treatment

An employee will not recognize any taxable income upon the award of restricted stock which is not transferable and is subject to a substantial risk of forfeiture, unless the employee makes the election described below. Dividends paid with respect to restricted stock prior to the lapse of restrictions applicable to that restricted stock will be taxable as compensation income to the employee. Generally, the employee will recognize taxable ordinary income at the first time that Stock becomes transferable or is no longer subject to a substantial risk of forfeiture, in an amount equal to the fair market value of that Stock when the restrictions lapse. However, an employee may elect to recognize the fair market value of the restricted stock on the award date as taxable ordinary income upon the award date. If an employee makes this election, any dividends paid with respect to that restricted stock will not be treated as compensation income, but rather as dividend income, and the employee will not recognize additional taxable income when the restrictions applicable to his or her restricted stock award lapse. When the employee disposes of the Stock after it has vested, any amount received in excess of the fair market value of the Stock at the time the restrictions previously lapsed (or the fair market value of the Stock on the award date if the employee has made the election described above) will be taxed as capital gains.

The granting of RSUs does not result in taxable income to the employee who receives the RSUs. The amount of cash paid or the then-current fair market value of the Stock received upon settlement of the RSUs is taxable to the employee as ordinary income. When the employee disposes of any Stock so received, any amounts received in excess of the fair market value of that Stock at the time of receipt will be taxed as capital gains. An employee may also be subject to the "net investment income" tax, depending on the employee's circumstances. Net investment income includes, among other things, dividends and gains from the disposition of Stock.

Social Insurance Contributions

Amounts taxable upon the lapse of restrictions applicable to restricted stock awards, or taxable earlier if the employee elects to be taxed on the award date, are subject to social security contributions to the extent the employee has not exceeded the applicable wage base. Upon vesting of RSUs, the then-current fair market value of the Stock subject to the vested RSUs is subject to social security contributions to the extent the employee has not exceeded the applicable wage base.

The employer is required to withhold the employee's portion of the social security taxes. The employer must then pay the employee's withholdings and the employer's contributions at the time the employee receives the earnings.

Tax-Favored Program

None.

Withholding and Reporting

Amounts taxable upon the lapse of restrictions applicable to restricted stock awards, or taxable earlier if the employee elects to be taxed on the award date, are subject to income tax withholding and reporting by the employer. Also, the amount of dividends received with respect to non-vested restricted stock, unless the employee elected to be taxed on the value of the Stock on the award date, is subject to income tax withholding and reporting by the employer.

Amounts taxable upon the settlement of RSUs are subject to income tax withholding and reporting by the employer.


Employer Tax Treatment

Assuming compliance with the applicable income tax withholding and reporting requirements, the employer will be entitled to a tax deduction equal to the amount of ordinary income recognized by an employee in connection with his or her restricted stock award in the employer's taxable year in which that employee recognizes that ordinary income. The employer is also generally entitled to a tax deduction for any dividends that are paid on non-vested restricted stock if the employee has not elected to be taxed on the value of the Stock on the award date.

The granting of RSUs does not result in a tax deduction for the employer. The amount of cash paid or the then-current fair market value of any Stock received upon settlement of the RSUs is deductible by the employer.

Australia

Employment

Labor Concerns	Employees may have rights to additional vesting or other benefits under the Plan in cases of involuntary termination. To reduce the risk for potential claims to employee entitlements, the Plan should expressly state that participation in the Plan is discretionary, and that termination of employment will result in the loss of unvested options.
Communications	Additional Australia-specific employee communications may be necessary depending on the securities exemption relied upon (see below). Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance	Certain disclosure requirements apply to companies that offer securities unless such an offer falls within: (i) a specific exemption under the Corporations Act; (ii) a Class Order exemption issued by the Australian Securities & Investments Commission (“ASIC”); or (iii) an individual exemption granted by ASIC. Filing and disclosure obligations may apply even if an exemption is relied upon.
Foreign Exchange	There are no foreign exchange restrictions applicable to the Plan.
Data Protection	Employee consent for the processing and transfer of personal data is the recommended method of compliance with existing data privacy requirements. The Subsidiary and Issuer should implement safeguards so that (i) the use of the employees’ tax identification information is restricted to tax purposes; and (ii) the use of other personal data is restricted to specific purposes disclosed in the written consent.

Tax

Employee Tax Treatment	<p>If a real risk of forfeiture exists, tax is payable at the deferred taxing point, which is broadly the earliest of: (i) there no longer being a real risk of forfeiture; (ii) no restriction on disposal; (iii) cessation of employment; and (iv) the seventh anniversary of grant. Partial vesting will therefore lead to a tax liability at the time of vesting. Otherwise, tax is payable on the market value of an option at the time of grant. If tax has been paid on grant or vesting, and the option lapses due to the employee choosing not to exercise it, the tax is not recoverable.</p> <p>When the Stock is sold, a 50% exemption on capital gains (after allowing for capital losses) is available if the Stock has been held for 12 months or more.</p>
Social Insurance Contributions	The benefits received under option plans are subject to a Medicare levy and, in some cases, an additional surcharge.
Withholding and Reporting	There is no obligation on the employer to withhold tax, unless an employee has failed to supply a tax file number. Employers are required to report annually the grant of an option and, if tax has become payable during the relevant financial year, the market value of the options or of the Stock acquired upon exercise.
Employer Tax Treatment	In all Australian States and Territories, the Plan benefit is included in the calculation of the employer’s payroll tax. If the Subsidiary reimburses the Issuer for the cost of Plan benefits pursuant to a written reimbursement agreement, the Subsidiary is permitted to claim a tax deduction.

Employment

Labor Concerns

Employee entitlement claims may arise with the offer of stock options. The Plan and agreements must be carefully drafted to ensure that the employer retains the right to amend or terminate the Plan. In addition, option agreements should provide that options would cease to vest upon a termination of employment.

It is necessary for the Plan to be drafted to limit rights during a notice period of termination of employment. It should be clearly stated that the termination of employment is the last day of active employment with the Subsidiary and that vesting rights will not be influenced by a period of notice that is given, or ought to have been given, under statute, contract or at common law.

It is also important that the Plan be drafted so as not to unintentionally result in a discrimination complaint. For example, if the Plan is more beneficial to employees of a specific age, then it may be at risk of a discrimination complaint.

Communications

For employees in Quebec, documents related to the Plan must generally be remitted to employees in the French language unless an employee expressly agrees to receive documents in English.

Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

The offer of stock options to employees in Canada is generally exempt from the prospectus and registration requirements of Canadian securities laws based on exemptions contained in National Instrument 45-106. Any disclosure documents delivered to employees in Quebec must be filed with the Autorité des Marchés Financiers ("AMF"). There are no fees payable in connection with this filing and there is no formal review of the documents by the AMF.

Foreign Exchange

There are no foreign exchange restrictions applicable to the Plan.

Data Protection

Employee consent for the processing and transfer of personal information is the recommended method of compliance with existing data privacy requirements. Quebec has additional data protection requirements.

Tax

Employee Tax Treatment

Employees are taxed on the spread in the year the option is exercised. Employees may reduce such taxable benefit if the underlying Stock is characterized as "prescribed shares" and the exercise price is not less than the Stock's fair market value on the grant date. The employee will also be subject to tax on one-half of any capital gain realized upon the subsequent sale of the Stock.

Social Insurance Contributions

Social insurance obligations generally are levied on an employee's earnings, including Plan benefits, up to an earnings cap.

Tax-Favored Program

See Employee Tax Treatment above.

Withholding and Reporting

The employer has a reporting and withholding obligation with respect to income received by employees under the Plan.

Employer Tax Treatment

The Subsidiary may not claim a tax deduction for the cost of Plan benefits.

China

Employment

Labor Concerns

The requirement that employers in China remunerate employees in cash only, rather than in negotiable securities, is unlikely to be problematic provided that options are clearly designated as bonuses paid alongside regular cash wages.

Communications

The translation of Plan documents (Plan, agreement, grant notice, exercise notice, and exercise adjustment notice) may be required (see "Withholding and Reporting" below). Government filings must be in Mandarin.

Regulatory

Securities Compliance

At present, there are no specific laws or regulations that address equity incentive programs offered by foreign issuers to their Chinese resident-employees.

The only exception is the Securities Law and this applies to all entities engaged in the issuance of securities in China. If the securities are issued to more than 200 specified persons, the issuance may constitute a "public offering" of securities.

A "public offering" is subject to approval from the China Securities Regulatory Commission (the "**CSRC Approval**"). However, in practice there is currently no formal process in place to obtain CSRC Approval for stock-based equity awards by a foreign company to its Chinese resident employees.

Foreign Exchange

Operating the Plan in China is likely to require the approval of the State Administration of Foreign Exchange ("**SAFE**"), which operates a specific regime dealing with the withdrawal, outflow and conversion of foreign currencies in relation to equity-based compensation plans. The regime will involve the Subsidiary or another agent establishing a special onshore account through which all Plan-related payments must be made. Obtaining approval for the Plan may be time-consuming and costly, with many documents requiring translation. Following the initial approval, quarterly reports are required on the status of the Plan.

Data Protection

It is recommended that an employer discloses its data processing activities to employees and that an employer obtains employee consent prior to transferring his or her personal data outside of China.

Tax

Employee Tax Treatment

Employees who are taxable for Chinese individual income purposes are subject, on exercise, to individual income tax on the difference between the exercise price and the market value of the resulting Stock i.e. the "spread". Taxable employment income received through the Plan is taxed separately from regular monthly employment income. As such, the spread may be taxed at a lower marginal tax bracket. Employees who are taxable for Chinese individual income purposes are subject to individual income tax on any subsequent gain realized from the sale of Stock.

Social Insurance Contributions

Income from the exercise of options may be subject to social insurance contributions, depending on the practice and position taken by the local labour and social insurance bureau.

Tax-Favored Program

Under current PRC tax rules, the proceeds derived from the exercise of stock options are treated as employment income and can be taxed separately from monthly salary income and therefore a lower marginal tax may apply to the equity based gains, subject to certain registration requirements with the local tax bureau. If the Subsidiary fails to comply with these registration requirements, any income related to options will be taxed together with the participant's salary income for that month so that participants will potentially be taxed at a higher marginal tax bracket on their total income.


Withholding and Reporting

For Issuers offering options through plans implemented on or after 1 July 2005, withholding and reporting obligations apply on taxable employment income arising on the exercise of options.

These obligations apply if the Subsidiary is involved in implementing the Plan. The Issuer is required to translate into Mandarin and submit the following documents (wherever applicable) to the local tax bureau:

- rules of the relevant plan;
- option agreement;
- grant notice;
- exercise notice; and
- exercise adjustment notice.

The penalty for non-compliance is a monetary fine (of approximately \$250 – \$1,200). Upon the exercise of options, the employer must withhold and pay the relevant individual income tax and to file individual income tax returns with the tax authorities as the withholding agent. Failure to file and pay taxes is subject to penalty ranging from 50% to 3 times the tax due.

Employer Tax Treatment

The Subsidiary is likely to be eligible for a deduction of the reasonable costs that it incurs due to its involvement in the Plan, including the option value charged back to the Subsidiary. The Subsidiary may qualify for the deduction provided the recipients are employees of the Subsidiary and those costs are related to its business operations.

Germany

Employment

Labor Concerns

In order to reduce the risk of German employment law restrictions (including potential invalidity of forfeiture restrictions) applying to options granted to German employees, it is recommended that the Subsidiary is not involved in the grant of options or party to any option agreement.

Employees should expressly agree in option agreements or grant documentation that termination of employment will result in the loss of unvested rights and that the Plan is discretionary and voluntary.

If the Subsidiary sets up the Plan, it should be determined whether consultation is required with the German works council regarding the terms of the Plan for employees.

Communications

The translation of Plan documents for employees is recommended but not legally required. Government filings must be in German.

Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

Neither the grant nor the exercise of employee options in Germany is likely to trigger any requirement for securities filings, provided the options are non-transferable.

As there is still some uncertainty in Germany regarding the prospectus requirement, it is advisable to consult German lawyers in any individual case.

Foreign Exchange

Minor statistical reporting is required in some circumstances. See section 59, paragraph 2(1) of the German Foreign Trade Order (Außenwirtschaftsverordnung).

Data Protection

Employee consent for the collection, use, and transfer of personal data is the recommended method of compliance with existing data privacy requirements. If consent is given together with other declarations, it must be distinguishable in its appearance from the other declarations (e.g., by using a different type-face). Additionally, employees must be informed of the purpose for which their information will be processed. Employers may be required to register certain data processing activities with Germany's data protection authorities.

Collecting, processing and transfer of personal data should be assessed under the German "Policy for Employee's Data Privacy".

Tax

Employee Tax Treatment

The employee is subject to income tax upon exercise of his/her options. The amount of income subject to tax is the spread between the fair market value of the Stock at the time of the purchase minus the amount paid for the Stock, if any.

In addition, the sale of the Stock will, in general, be subject to a separate tax rate of 25% (so-called flat tax, Abgeltungsteuer), plus 5.5% solidarity surcharge thereon and, if applicable, church tax. The flat tax regime will, however, not apply if the employee at any point in time during the five years preceding the sale has held a stake representing 1% or more directly or indirectly of the share capital of the Issuer. In this case the so-called part-income system applies, according to which 40% of the capital gains are tax exempt and the remaining 60% of the capital gains are subject to tax at the employee's personal income tax rate.

Social Insurance Contributions

Generally, both the employer and employee must pay social insurance on the spread to the extent that the employee has not exceeded the wage base threshold.



Tax-Favored Program

There is no tax-favored program at the time stock options are granted. At the time the Stock is actually acquired following exercise, a minor tax exemption may apply to any discount on Stock acquired by an employee from the employing company or a related group company if the Plan is available for all employees. In addition, a reduction in tax rates may apply if the option is granted as part of remuneration for several years.

Withholding and Reporting

Withholding and reporting are required.

Employer Tax Treatment

A deduction is generally available if the Subsidiary reimburses the Issuer pursuant to a written agreement.

United Kingdom

Employment

Labor Concerns	Appropriate language should be included in Plan documents stating that the employees have no rights to compensation for loss of rights under the Plan in the event of termination of their employment. The exclusion of part-time employees or employees on disability or maternity leave generally constitutes unlawful discrimination.
Communications	There are no legal requirements specific to employee communications. Electronic execution of award agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance	Neither the grant nor the exercise of employee options in the UK is likely to trigger any requirement for securities filings, provided the options are non-transferable.
Foreign Exchange	There are no foreign exchange restrictions applicable to the Plan.
Data Protection	Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Employers are required to register data processing activities with the UK Information Commissioner.

Tax

Employee Tax Treatment	For options granted under an unapproved option plan (see Tax-Favored Program), income tax is imposed on the spread at exercise, i.e. the excess of the market value of the Stock over the amount paid for the Stock. Subject to an annual exemption, capital gains tax (" CGT ") is assessed on the gain achieved between the grant of approved options and the sale of Stock. CGT will also be imposed on any gain made on the subsequent sale of Stock following the exercise of unapproved options (where not sold on exercise).
Social Insurance Contributions	National Insurance Contributions (" NICs ") are generally payable by both employer and employee on the spread at exercise for options granted under an unapproved plan and options granted under an approved plan in certain circumstances. The employer may transfer its NICs obligation under an option plan to the employee.
Tax-Favored Program	Favorable tax treatment is available for certain option plans which have been approved by HM Revenue & Customs, or in the case of EMI options (see below), which satisfy certain legislative requirements. Options granted under approved plans are exempt from income tax, subject to certain conditions, including that they may not be exercised for three years from the grant date (except in certain "good leaver" circumstances). Employees may not hold approved options over Stock with a value at grant in excess of £30,000. Another tax favorable arrangement is available to smaller companies called Enterprise Management Incentive (" EMI ") options. These are subject to various limitations and the availability to non-UK based Issuers is typically limited.
Withholding and Reporting	Unapproved options are generally subject to withholding of income tax and NICs at exercise. Reporting requirements for both employer and employee apply to both tax qualified and non-qualified plans.
Employer Tax Treatment	If the Subsidiary reimburses the Issuer and documents the reimbursement, it may generally take a tax deduction for the amount of the spread on the date of exercise as a salary expense. Alternatively, provided certain conditions are met, the employer may be entitled to statutory corporation relief for that amount.

Employment

Labor Concerns

A claim for breach of contract could arise where an equity incentive plan is amended or discontinued. It is recommended that Plan provisions be drafted so as to preclude leased and/or temporary employees and independent contractors from claiming entitlements under the Plan (absent a specific intention to include these workers). Plans should be drafted to permit unilateral amendment or termination of the Plan, and employees should be required to acknowledge the discretionary nature of the Plan.

Employers may not deny, directly or indirectly, employees the opportunity to participate in the Plan based on any prohibited grounds of discrimination, including, among others, race, color, religion, sex, national origin, citizenship, age, disability, uniformed service or any other status protected by federal, state or local law.

Communications

Plan documents should be translated into English unless the participant speaks the language in which the documents are written. Most government filings must be made in English (although certain documents may be filed with a summary in English). Generally, the electronic execution of agreements may be acceptable under certain conditions.

Regulatory

Securities Compliance

Federal and state securities laws govern the grant of securities under employee benefit plans, including stock incentive plans. Under the US Securities Act of 1933 (the "**Securities Act**"), unless an exemption is available, any offer or sale of a security must be registered with the US Securities and Exchange Commission (the "**SEC**"). Note that the grant of an option is generally not considered to be a "sale" of either the option or the underlying security; however, the exercise of an option is considered to be a sale of the underlying security. The SEC has created a special exemption and a special registration process for offers and sales of securities in connection with employee benefit plans:

Reporting companies. Companies with a class of securities registered under the Securities Exchange Act of 1934 (the "**Exchange Act**") – which includes, among others, companies listed on a US stock exchange – are allowed to use a streamlined registration statement called a Form S-8. Form S-8 requires less disclosure than other SEC registration forms. To be eligible to use this form, the company must have filed all required reports during the preceding 12 months (or such shorter period as the company was required to file). The Form S-8 is filed with the SEC and is generally no more than ten pages long. Separate from the Form S-8, the company must deliver to employees a prospectus containing a description of the Plan, together with the company's most recent annual report.

Non-reporting companies. Private companies in the United States cannot use Form S-8. However, they are permitted to grant a limited amount of securities under employee benefit plans pursuant to a special exemption contained in Rule 701 under the Securities Act. There are no special information requirements for employees unless the value of securities issued in any 12-month period exceeds \$5 million, at which point financial statements and other disclosure must be provided.

Reporting and non-reporting companies can use other exemptions that are available under the Securities Act. For example, the exemption for the issuance of securities to accredited investors under Regulation D may be available for grants to executive officers. Failure to comply with registration or exemption requirements may give employees rescission rights or the right to sue for damages if they no longer own Stock.

United States contd.

While the SEC is responsible for enforcing of the United States Federal securities laws, each individual state has its own securities laws, referred to as "blue sky laws", and its own regulatory agency which administers the law, typically known as the state Securities Commissioner. Blue sky laws are often superseded by Federal law, particularly with respect to reporting companies, but they do apply to non-reporting companies. In addition, blue sky laws vary widely from state to state. Therefore, while most state blue sky laws have exemptions from registration for stock incentive plans that are exempt from federal registration, some do not, and a few require notice or a streamlined registration procedure. The laws of each state where any Plan participant resides must be checked prior to undertaking any securities offerings or sales in that state.

Foreign Exchange

There are no exchange controls in the US.

Data Protection

The US has no omnibus data protection law that reaches all personal data. Rather, it has a patchwork of sector-specific state and federal laws that regulate only certain classes of data. Outside the health care and background-check contexts, much employee information falls beyond the reach of these sector-specific laws. Nevertheless, a best practice in administering equity/benefit plans is to build into Plan enrolment forms a written consent; Plan participants should expressly authorize the use and disclosure of their data for all Plan purposes. Also, Plan administrators must comply with any privacy policy of a sponsor employer, and with document-retention laws that mandate retaining tax-related information for certain periods.

Tax

Employee Tax Treatment

Employee stock options are classified as either "incentive stock options," which are intended to qualify with the requirements of Section 422 of the Internal Revenue Code, or options other than incentive stock options, which are not intended to so qualify (referred to as "nonqualified stock options"). The grant of an option with an exercise price at least equal to the fair market value of the underlying Stock as at the date of grant is not a taxable event. However, the transfer of Stock to an employee upon exercise of his or her option may or may not give rise to taxable income to the employee depending upon whether the option is a nonqualified stock option or an incentive stock option. The exercise of a nonqualified stock option by an employee generally results in immediate recognition of taxable ordinary income by the employee in the amount by which the fair market value of the Stock purchased, on the exercise date, exceeds the aggregate exercise price paid. Any appreciation or depreciation in the fair market value of that Stock after the exercise date will generally result in a capital gain or loss to the employee at the time he or she disposes of the Stock. An employee may also be subject to the "net investment income" tax, depending on the employee's circumstances. Net investment income includes, among other things, dividends and gains from the disposition of Stock.

Social Insurance Contributions

Amounts taxable upon the exercise of nonqualified stock options are subject to social security contributions to the extent the employee has not exceeded the applicable wage base. The employer is required to withhold the employee's portion of the social security taxes. The employer must then pay the employee's withholdings and the employer's contributions at the time the employee receives the earnings. Neither the exercise of an incentive stock option nor a disposition of Stock purchased under an incentive stock option (whether or not in a disqualifying disposition (described below)) is subject to social security contributions.

Tax-Favored Program

The exercise of an incentive stock option by an employee is exempt from income tax, although not from the alternative minimum tax, if the employee has been an employee of the employer at all times beginning with the option grant date and ending three months before the date the employee exercises the option (or twelve months in the case of termination of employment due to disability). If the employee has not been so employed during that time, the employee will be taxed as described above for nonqualified stock options. If the employee disposes of the Stock purchased more than two years after the option was granted and more than one year after the option was exercised, then the employee will recognize any gain or loss upon disposition of that Stock as capital gain or loss.

However, if the employee disposes of the Stock prior to satisfying these holding periods (known as a "disqualifying disposition"), the employee will be obligated to report as taxable ordinary income for the year in which that disposition occurs the excess, with certain adjustments, of the fair market value of the Stock disposed of, on the date the incentive stock option was exercised, over the exercise price paid for the Stock. Any additional gain realized by the employee on the disqualifying disposition would be capital gain. If the total amount realized in a disqualifying disposition is less than the exercise price of the incentive stock option, the difference would be a capital loss for the employee.

If an employee's incentive stock option becomes exercisable for the first time in any calendar year for Stock with a fair market value in excess of \$100,000, determined as of the grant date of the option, the employee will be taxed on exercise of the option as described above for nonqualified stock options to the extent of this excess.

Withholding and Reporting

Amounts taxable upon the exercise of nonqualified stock options are subject to income tax withholding and reporting by the employer on Form W-2. Neither the exercise of an incentive stock option nor a disposition of Stock purchased under an incentive stock option (whether or not in a disqualifying disposition) is subject to income tax withholding. However, income taxable upon a disqualifying disposition is reportable by the employer on Form W-2.

Additionally, an employer that in the preceding year transferred Stock to an employee upon the employee's exercise of an incentive stock option, must furnish the employee with a statement, and file a return within the Internal Revenue Service, that includes certain information concerning the employer, the employee, the incentive stock option and the Stock.

Employer Tax Treatment

The exercise of a nonqualified stock option by an employee results in a tax deduction for the employer equal to the amount of ordinary income reported by the employee. The exercise of an incentive stock option by an employee does not result in a tax deduction for the employer. If the employee disposes of the Stock purchased upon exercise of an incentive stock option in a disqualifying disposition, however, the employer is entitled to a tax deduction equal to the amount of ordinary income reported by the employee. In each case, the employer's tax deduction is conditioned on the employer's timely compliance with the Form W-2 reporting requirements described above.

Glossary

Some terms used in the summaries have particular meanings and certain assumptions are made which may require clarification. These are described below.

EU	The European Union.
Home Member State	The Member State with whose regulatory authority the Issuer is required to file a prospectus in certain circumstances. The rules for determining the Home Member State are complex. However, generally speaking, if the Issuer's registered office is in the EU, its Home Member State will be the Member State of its registered office. If the Issuer is listed on a regulated market in the EU, its Home Member State will be the Member State in which it is listed. If the Issuer is not EU-listed and its registered office is not in the EU, its Home Member State will generally be the Member State in which the Issuer's securities are first offered to the public or admitted to trading after 31 December 2003.
Issuer	The company which is offering awards to employees under a Plan.
Member State	A member state of the European Union.
Plan	Means in each applicable case: An option plan Participants in an option plan, who can be selected from amongst all employees on a discretionary basis, are granted a right to acquire Stock for a price determined at grant. This price will usually (but not always) be the market value of the Stock being placed under option on the date of grant. Participants must normally remain in employment for a certain period before they can exercise their options. In some cases, options will become exercisable or "vest" over this period, meaning that, should an employee leave employment before an option has fully vested, he or she may be entitled to exercise the option over a proportionate amount of the Stock under option. A restricted stock and RSU plan Participants in restricted stock plans are generally awarded Stock free of charge (although they may be subject to tax), but this Stock is subject to certain restrictions under which, for example, the Stock is forfeited if the participants resign or are dismissed. These restrictions apply for a set period (most often, three years) during which participants are not permitted to transfer the Stock. With Restricted Stock Units (RSUs), employees are not awarded the Stock itself at the outset, but rather a right to receive Stock at the end of the restricted period, provided the conditions are fulfilled, i.e., generally, that the employee remains in employment at that time. An employee stock purchase plan Under this type of plan, employees are offered the opportunity to purchase Stock in the Issuer using deductions from salary accumulated over a period – for example, six months. A participant is granted a right to purchase Stock at the outset and his or her savings are deducted automatically from his or her salary over the accumulation period. At the end of the accumulation period, the savings are used to exercise the purchase right and buy the Stock. The purchase right is often offered at a discount. The most common type of employee stock purchase plan is the qualifying 423 plan, which benefits from certain tax advantages in the United States.
Stock	Shares of stock in the Issuer.
Subsidiary	A local subsidiary of the Issuer which employs the employees to whom awards are being offered.

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