United Kingdom

Stock Option Plans

Employment

Labor Concerns

There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated.

There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan, the benefits being granted and the exercise of any discretion.

Communications

A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan, and confirms that termination of employment will result in the loss of unvested rights.

Government filings must be made in English.

Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance

Neither the grant nor the exercise of Options is likely to trigger any prospectus requirements.

Foreign Exchange

There are no foreign exchange restrictions applicable to the Plan.

Data Protection

Processing of employee data for purposes directly connected to the employment relationship can generally be justified on the basis that the processing is necessary to fulfill the contract of employment. Purposes outside that category need to be assessed on a case-by-case basis, and opt–in consent may be required in some cases.

Tax

Employee Tax Treatment

An employee is generally subject to income tax on the gain on exercise (i.e., the excess of the market value of the Stock acquired over the aggregate exercise price). Capital gains tax is also payable on any gain upon the net proceeds of sale of the Stock, subject to reduction by an individual annual allowance.

Social Security Contributions	Social security contributions are generally due from both the Subsidiary and the employee on all income received, except in very limited circumstances. The Subsidiary may transfer its liability to pay social security contributions to the employee, but only with the employee's prior written consent.
Tax-Favored Program	Favorable tax treatment is available for Plans which satisfy certain legislative requirements and have been registered with HM Revenue & Customs. (i) Company Share Option Plan ("**CSOP**"): Options granted under a CSOP are exempt from income tax on exercise, subject to certain conditions, including that the Options are not exercised for three years from grant (except in certain "good leaver" circumstances) and employees do not hold CSOP Options over Stock with a value at grant in excess of £30,000. On exercise, only capital gains tax is payable on any gain upon the sale of Stock. (ii) Save As You Earn Plan ("**SAYE**"): SAYE may be regarded as a hybrid stock purchase and option plan where savings are accumulated over a three or five year period. Generally, neither income tax nor social security contributions are payable on exercise under a qualifying SAYE plan. Only capital gains tax will be payable on any gain upon the sale of Stock. (iii) Enterprise Management Incentives ("**EMI**"): EMI Options are available to smaller companies, although these are subject to various limitations and are likely only to have limited scope for Issuers. Where EMI Options are used, tax can be deferred until sale, provided that the EMI Options have been granted at an option price equivalent to mark value. On sale, capital gains tax will be payable at lower rates because Entrepreneurs Relief will automatically apply.
Withholding and Reporting	The Subsidiary has an obligation to withhold the income tax and social security contributions arising, save in very limited circumstances. Reporting requirements apply to both the Subsidiary and the employee.
Employer Tax Treatment	Provided certain conditions are met, the Subsidiary may be entitled to statutory corporation tax relief based on the market value of the Stock at the date of exercise less the exercise price.

United Kingdom

Restricted Stock and RSUs

Employment

Labor Concerns	There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated. There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan, the benefits being granted and the exercise of any discretion.
Communications	A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan, and confirms that termination of employment will result in the loss of unvested rights. Government filings must be made in English. Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance	Neither the grant nor the vesting of Restricted Stock or RSUs is likely to trigger any prospectus requirements.
Foreign Exchange	There are no foreign exchange restrictions applicable to the Plan.
Data Protection	Processing of employee data for purposes directly connected to the employment relationship can generally be justified on the basis that the processing is necessary to fulfill the contract of employment. Purposes outside that category need to be assessed on a case-by-case basis, and opt-in consent may be required in some cases.

Tax

Employee Tax Treatment	For Restricted Stock, an employee is generally subject to income tax on the value of the Restricted Stock when it vests, provided that the vesting period (and related risk of forfeiture) lasts no more than five years from the date of grant. As an alternative, the Subsidiary and employee may jointly elect for the employee to pay income tax on the full “unrestricted” value of the Restricted Stock at grant. If they do so, there should be no further income tax on the award. For RSUs, an employee is generally subject to income tax on the value of the Stock received on vesting. Capital gains tax is also payable on any gain upon the net proceeds of the sale of the Restricted Stock or Stock, subject to reduction by an individual annual allowance.
Social Security Contributions	Social security contributions are due from both the Subsidiary and the employee on all income received, except in very limited circumstances. The Subsidiary may transfer its liability to pay social security contributions to the employee, but only with the employee’s prior written consent.
Tax-Favored Program	There is no tax-favored program applicable to Restricted Stock or RSU plans.
Withholding and Reporting	The Subsidiary has an obligation to withhold the income tax and social security contributions arising, save in very limited circumstances. Reporting requirements apply to both the Subsidiary and the employee.
Employer Tax Treatment	Provided certain conditions are met, the Subsidiary 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 Stock).

United Kingdom

Employee Stock Purchase Plans

Employment

Labor Concerns

There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated.

There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan and the exercise of any discretion.

Communications

A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan, and confirms that termination of employment will result in the loss of unvested rights.

Government filings must be made in English.

Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

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. 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 Issuers (including those incorporated or listed in a Member State) 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

Processing of employee data for purposes directly connected to the employment relationship can generally be justified on the basis that the processing is necessary to fulfill the contract of employment. Purposes outside that category need to be assessed on a case-by-case basis, and opt–in consent may be required in some cases.

Tax

Employee Tax Treatment

An employee is generally subject to income tax on the value of the discount when the Stock is purchased.

Capital gains tax is also payable on any gain upon the net proceeds of sale of the Stock.

Social Security Contributions

Social security contributions are due from both the Subsidiary and the employee on all income received, except in very limited circumstances. The Subsidiary may transfer its liability to pay social security contributions to the employee, but only with the employee's prior written consent.

Tax-Favored Program

Favorable tax treatment is available for certain plans which involve the purchase of Stock (SAYE and SIP).

(i) Save As You Earn ("**SAYE**"): Under SAYE, where savings are accumulated over a three or five year period, neither income tax nor social security contributions are generally payable on purchase of the Stock. Only capital gains tax is payable on any gain on sale of the Stock.

(ii) Share Incentive Plan ("**SIP**"): Under SIP, employees are able to purchase Stock using their gross salary, subject to certain limits and conditions, including a three year holding period. Capital gains tax is payable on sale of the Stock under SAYE, subject to reduction by an individual annual allowance.

Withholding and Reporting

The Subsidiary has an obligation to withhold the income tax and social security contributions arising, save in very limited circumstances.

Reporting requirements apply to both the Subsidiary and the employee.

Employer Tax Treatment

Provided certain conditions are met, the Subsidiary may be entitled to statutory corporation tax relief based on the market value of the Stock at the date of acquisition (less any amount paid for the Stock).