Brazil

Employment

Labor Concerns

Entitlement issues are likely to arise if the Plan is operated frequently. This is because, traditionally, benefits granted on a regular basis are considered to be part of an employee's compensation. To reduce the risk of potential claims to employee entitlements, employees should expressly agree in enrollment forms that participation in the Plan is discretionary, participation results in an investment opportunity subject to risks inherent in every stock investment, and that termination of employment will result in the loss of unvested rights. While payroll deductions may be problematic, the risk is mitigated by obtaining the written consent of the employee. It is also recommended that the employer maintains a record of actual payment in order to demonstrate that the Plan requires employees to bear costs in connection with the acquisition of stock under the Plan.

Communications

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

Regulatory

Securities Compliance

There are no securities compliance issues with regard to the offering of purchase plans.

Foreign Exchange

The Brazilian employees or Subsidiary generally may remit funds abroad in order to acquire shares in the parent company. The Subsidiary must present a letter to the bank in charge of the foreign exchange transaction that includes certain information (e.g., the names of the employees, their individual taxpayer enrollment numbers (CPF) and the amounts remitted per employee). The Subsidiary should confer with its bank regarding the specific supporting documents required. The bank is required to maintain records of the supporting documents and information related to foreign exchange remittances.

The employee may be subject to minor annual reporting for any rights and/or assets held outside Brazil.

Data Protection

Although employee consent is not required for the collection, use, and transfer of personal data, obtaining consent is nevertheless recommended in light of a constitutional right to privacy. The personal consent provision should be included in the enrollment form.

Tax

Employee Tax Treatment

Employees are not subject to income tax at the time of grant or exercise of the purchase right. Tax is imposed upon the sale of stock. Capital gains tax is imposed upon the sale if total proceeds exceed R$35,000 per month.

Social Insurance Contributions

Generally, social insurance contributions are not imposed on purchase rights. However, social insurance contributions may apply if rights are granted frequently and subsequently characterized as part of regular employment income.

Tax-Favored Program

None.

Withholding and Reporting

Generally, the employer has no withholding or reporting requirements with respect to a purchase plan.

Employer Tax Treatment

The Brazilian entity may deduct the costs that are reimbursed to the Issuer (chargeback scenario) provided that the offer is made to all employees in Brazil. However, this reimbursement will increase the likelihood that the purchase plan will be deemed to be regular employment income to the employee subject to labor and social security charges. Any amount reimbursed for benefits provided to board members, directors, or administrators is not deductible locally.

