Brazil

Employment

Labor Concerns

Entitlement issues may arise if options are granted 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 option award agreements that participation in the Plan is discretionary, that options result in an investment opportunity subject to the risks inherent in stock investment and that the termination of employment will result in the loss of unvested rights. It is also recommended that the employer maintains a record of all payments made by the employee in relation to the grant and exercise of options in order to demonstrate that employees are required to bear option costs. In addition, if the options are granted through cashless transactions, the risk of the employee requesting the integration of those amounts as base for the calculation of all labor and social security rights is increased.

Communications

The translation into Portuguese of Plan documents 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 options.

Foreign Exchange

The Brazilian employees or Subsidiary generally may remit funds abroad in order to acquire shares of the Issuer. 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 enrolment numbers (CPF) and the amounts remitted per employee). The Subsidiary should confer with its bank regarding the specific supporting documents required.

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

Tax

Employee Tax Treatment

Employees are not subject to income tax at the time of grant or exercise of the option. Capital gain tax is imposed upon the sale of stock if total proceeds exceed R$35,000 per month. If the cashless exercise method is adopted, there is a risk of tax authorities treating the amounts as regular compensation from a foreign source (subject to tax at the progressive rates of 0-27.5%).

Social Insurance Contributions

Generally, social insurance contributions are not imposed on options. However, social insurance contributions may apply if grants are made frequently and subsequently characterized as part of regular employment income but only if payments are made through payroll.

Tax-Favored Program

None.

Withholding and Reporting

Generally, the employer has no withholding and reporting requirements.

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, reimbursement will increase the likelihood that the options 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.