Germany

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 (in 2011: transfer of at least €12,500). 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".

This summary is intended to reflect local law and practice as at 1 May 2013. 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 the local laws affect the company's equity based compensation plans.
With these matters in mind, companies should not rely on the information provided in this summary when implementing their stock plans.

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Germany (cont.)

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 less 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 of 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 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.

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