Mexico

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. Standard waiver and consent provisions that attempt to negate this risk may be unenforceable.

There are laws which prohibit discrimination against, and/or less favourable 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.

Although there is no legal requirement to do so, it is recommended that the Plan documents be translated.

Government filings must be made in Spanish.

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 (unless Stock is traded through the Mexican Stock Exchange, in which case capital gains tax will not arise in certain circumstances).
Social Security Contributions	Social security contributions may be due from both the Subsidiary and employee on all income received up to a threshold, which is subject to periodic change. Such contributions are more likely to arise where the Subsidiary reimburses the Issuer for costs of the Plan. In most cases, the relatively low social security threshold will have been exceeded through regular salary.
Tax-Favored Program	There is no tax-favored program applicable to option plans.
Withholding and Reporting	The Subsidiary is likely to be under an obligation to withhold the income tax and social security contributions (if the threshold has been met) where the Subsidiary reimburses the Issuer for the costs of the Plan. Reporting obligations are also likely to arise for the Subsidiary in such circumstances.
Employer Tax Treatment	A deduction may be available if the Subsidiary reimburses the Issuer for costs of the Plan. A written reimbursement agreement is required (setting out the criteria used to establish the amount to be paid by the Subsidiary).

Mexico

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. Standard waiver and consent provisions that attempt to negate this risk may be unenforceable. 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. Although there is no legal requirement to do so, it is recommended that the Plan documents be translated. Government filings must be made in Spanish. 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, provided that the offer of Restricted Stock or RSUs is a private offer. To qualify as a private offer, participation in the Plan must only be available to employees or groups of employees of either the Issuer, entities controlled by the Issuer or entities that control the Issuer.
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, it is unclear when a tax charge may arise. It is possible for an employee to be subject to income tax on the value of the Stock either when the Restricted Stock is granted or when the Restricted Stock vests. 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 upon the sale of Restricted Stock or Stock (unless the Restricted Stock or Stock is traded through the Mexican Stock Exchange, in which case capital gains tax will not arise in certain circumstances). The amount taxed is likely to be the difference between the fair market value of the Stock or Restricted Stock at the time of sale and the fair market value at the time of vesting. However, since there are no specific rules pertaining to this issue, the Mexican Tax Authorities may tax the entire sale proceeds.
Social Security Contributions	Social security contributions may be due from both the Subsidiary and employee on all income received up to a threshold, which is subject to periodic change. Such contributions are more likely to arise where the Subsidiary reimburses the Issuer for costs of the Plan. In most cases, the relatively low social insurance threshold will have been exceeded through regular salary.
Tax-Favored Program	There is no tax-favored program applicable to the Plan.
Withholding and Reporting	The Subsidiary is likely to be under an obligation to withhold the income and social security contributions (if the threshold has been met) where the Subsidiary reimburses the Issuer for the costs of the Plan. Reporting obligations are also likely to arise for the Subsidiary in such circumstances.
Employer Tax Treatment	A deduction may be available if the Subsidiary reimburses the Issuer for costs of the Plan (setting out the criteria used to establish the amount to be paid by the Subsidiary).

Mexico

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. Standard waiver and consent provisions that attempt to negate this risk may be unenforceable.

Deductions from employee salaries for the purpose of making contributions under the Plan are generally prohibited under Mexican law, except under specific circumstances. If such deductions are made through payroll, special employee communications and enrolment forms should be prepared.

There are laws which prohibit discrimination against, and/or less favourable 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.

Although there is no legal requirement to do so, it is recommended that the Plan documents be translated.

Government filings must be made in Spanish.

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 purchase rights 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 value of any discount when the Stock is purchased. Capital gains tax is also payable on any gain upon the net proceeds of sale of the Stock (unless Stock is traded through the Mexican Stock Exchange, in which case capital gains tax will not arise in certain circumstances).
Social Security Contributions	Social security contributions may be due from both the Subsidiary and employee on all income received up to a threshold, which is subject to periodic change. Such contributions are more likely to arise where the Subsidiary reimburses the Issuer for costs of the Plan. In most cases, the relatively low social security threshold will have been exceeded through regular salary.
Tax-Favored Program	There is no tax-favored program applicable to employee stock purchase plans.
Withholding and Reporting	The Subsidiary is likely to be under an obligation to withhold the income and social security contributions (if the threshold has been met) where the Subsidiary reimburses the Issuer for the costs of the Plan. Reporting obligations are also likely to arise for the Subsidiary in such circumstances.
Employer Tax Treatment	A deduction may be available if the Subsidiary reimburses the Issuer for costs of the Plan. A written reimbursement agreement is required (setting out the criterion used to establish the amount to be paid by the Subsidiary).