Russia

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, particularly if participation in the Plan is structured as being part of an employee's employment with the Subsidiary.

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.

It is unclear as to whether the Subsidiary may withhold portions of an employee's salary in connection with the Plan. Any withholdings and/or transfers of any portion of the employee's salary in connection with the Plan must be made with the employee's express consent.

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 Russian.

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

Regulatory

Securities Compliance

There is a general prohibition on offering foreign securities to employees in Russia, which means that the position is uncertain. However, neither the grant nor the exercise of Options should trigger securities requirements provided that: (i) the employees are "qualified investors" under Russian securities law; (ii) the offer of participation in the Plan has taken place outside of Russia; or (iii) the grant is made in connection with the employees' employment with the Subsidiary (although this may increase the risk of employees claiming entitlements under the Plan, and increase the likelihood of withholding obligations applying).

Foreign Exchange

As a general rule, payments to or from Russian residents (both legal entities and individuals) should be effected through bank accounts with Russian authorized banks. In the event that a Russian resident seeks to use a bank account with a non-Russian authorized bank, additional reporting requirements may apply.

Data Protection

As a general rule, the processing of personal data (including its collection, use and transfer) requires the consent of the relevant employee. The transfer of employees' personal data to a person outside of Russia will qualify as a transfer of personal data to a third party and also as a cross border transfer of personal data, for which a written consent is required. Generally, an employer must register as a personal data operator and ensure that personal data of employees who are Russian citizens are stored in Russia.

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). However, there is a risk that the tax authorities may take a different position and seek to impose a tax charge at grant.

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

Social Security Contributions

No social security contributions or mandatory accident insurance contributions should arise upon the grant or exercise of Options, provided that the Options are granted outside the employment relationship and the costs of the Plan are not recharged to the Subsidiary, although there is a risk that the tax authorities may take a different position.

Tax-Favored Program

There is no tax-favored program applicable to stock option plans.

Withholding and Reporting

The Subsidiary should generally not have any obligation to withhold income tax, social security contributions or mandatory accident insurance contributions, provided that participation in the Plan is outside of the employment relationship and costs are not recharged to the Subsidiary. However, even if the Plan is structured such that it falls outside of the employment relationship between the Subsidiary and the employees, the Subsidiary may be obliged to act as a tax agent and to withhold tax from amounts payable to the employees.

If no withholding is made, the employees are required to report the income in their tax returns and to pay the tax themselves.

Employer Tax Treatment

A tax deduction may be available if the Subsidiary reimburses the Issuer for the costs of the Plan, although there is a risk that such recharge of costs would indicate a link between participation in the Plan and the employees' employment.

Russia

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, particularly if participation in the Plan is structured as being part of an employee's employment with the Subsidiary. 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. It is unclear as to whether the Subsidiary may withhold portions of an employee's salary in connection with the Plan. Any withholdings and/or transfers of any portion of the employee's salary in connection with the Plan must be made with the employee's express consent.
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 Russian. Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance	There is a general prohibition on offering foreign securities to employees in Russia, which means that the position is uncertain. However, neither the grant nor the exercise of Options should trigger securities requirements provided that: (i) the employees are "qualified investors" under Russian securities law; (ii) the offer of participation in the Plan has taken place outside of Russia; or (iii) the grant is made in connection with the employees' employment with the Subsidiary (although this may increase the risk of employees claiming entitlements under the Plan, and increase the likelihood of withholding obligations applying).
Foreign Exchange	Given that the Restricted Stock or RSUs will be granted free of charge, there will be no requirement to comply with any foreign exchange restrictions.

Data Protection

As a general rule, the processing of personal data (including its collection, use and transfer) requires the consent of the relevant employee. The transfer of employees' personal data to a person outside of Russia will qualify as a transfer of personal data to a third party and also as a cross border transfer of personal data, for which a written consent is required. Generally, an employer must register as a personal data operator and ensure that personal data of the employees who are Russian citizens are stored in Russia.

Tax

Employee Tax Treatment

For Restricted Stock, an employee is generally subject to income tax on the fair market value of the Stock at grant.

For RSUs, an employee is generally subject to income tax on the fair market value of the Stock received on vesting. However, there is a risk that the tax authorities may take a different position and seek to impose a tax charge at grant. This risk is increased where RSUs are cash-settled.

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

Social Security Contributions

No social security contributions or mandatory accident insurance contributions should arise upon the grant or vesting of Restricted Stock and RSUs, provided that participation in the Plan is outside of the employment relationship and costs of the Plan are not recharged to the Subsidiary, although there is a risk that the tax authorities may take a different position.

Tax-Favored Program

There is no tax-favored program applicable to the Plan.

Withholding and Reporting

The Subsidiary should generally not have any obligation to withhold income tax, social security contributions or mandatory accident insurance contributions, provided that participation in the Plan is outside of the employment relationship and costs are not recharged to the Subsidiary. However, even if the Plan is structured such that it falls outside of the employment relationship between the Subsidiary and the employees, the Subsidiary may be obliged to act as a tax agent and to withhold tax from all monetary funds payable to the employees.

If no withholding is made, the employees are required to report any income in their tax returns and to pay the tax themselves.

Employer Tax Treatment

A tax deduction may be available if the Subsidiary reimburses the Issuer for the costs of the Plan, although there is a risk that such recharge of costs would indicate a link between participation in the Plan and the employees' employment.

Russia

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, particularly if participation in the Plan is structured as being part of an employee's employment with the Subsidiary.

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.

It is unclear as to whether the Subsidiary may withhold portions of an employee's salary in connection with the Plan. Any withholdings and/or transfers of any portion of the employee's salary in connection with the Plan must be made with the employee's express consent.

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 Russian.

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

Regulatory

Securities Compliance

There is a general prohibition on offering foreign securities to employees in Russia, which means that the position is uncertain. However, neither the grant nor the exercise of purchase rights should trigger securities requirements provided that: (i) the employees are "qualified investors" under Russian securities law; (ii) the offer of participation in the Plan has taken place outside of Russia; or (iii) the grant is made in connection with the employees' employment with the Subsidiary (although this may increase the risk of employees claiming entitlements under the Plan, and increase the likelihood of withholding obligations applying).

Foreign Exchange

As a general rule, payments to or from Russian residents (both legal entities and individuals) should be effected through bank accounts with Russian authorized banks. In the event that a Russian resident seeks to use a bank account with a non-Russian authorized bank, additional reporting requirements may apply.

Data Protection

As a general rule, the processing of personal data (including its collection, use and transfer) requires the consent of the relevant employee. The transfer of employees' personal data to a person outside of Russia will qualify as a transfer of personal data to a third party and also as a cross border transfer of personal data, for which a written consent is required. Generally, an employer must register as a personal data operator and ensure that personal data of the employees who are Russian citizens are stored in Russia.

Tax

Employee Tax Treatment

An employee is generally subject to income tax on the value of any discount when the Stock is purchased. However, there is a risk that the tax authorities may take a different position and seek to impose a tax charge at grant on the value of the purchase right.

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

Social Security Contributions

No social security contributions or mandatory accident insurance contributions should arise, provided that participation in the Plan is outside of the employment relationship and costs of the Plan are not recharged to the Subsidiary, although there is a risk that the tax authorities may take a different position.

Tax-Favored Program

There is no tax-favored program applicable to the employee stock purchase plans.

Withholding and Reporting

The Subsidiary should generally not have any obligation to withhold income tax, social security contributions or mandatory accident insurance contributions, provided that participation in the Plan is outside of the employment relationship and costs are not recharged to the Subsidiary. However, even if the Plan is structured such that it falls outside of the employment relationship between the Subsidiary and the employees, the Subsidiary may be obliged to act as a tax agent and to withhold tax from all monetary funds payable to the employees.

If no withholding is made, the employees are required to report the income in their tax returns and to pay the tax themselves.

Employer Tax Treatment

A tax deduction may be available if the Subsidiary reimburses the Issuer for the costs of the Plan, although there is a risk that such recharge of costs would indicate a link between participation in the Plan and the employees' employment.