Brazil

Employment

Labor Concerns

Entitlement issues may arise if restricted stock or RSU awards are granted frequently, especially because they are granted, at no cost, to the employees. This is because, traditionally, benefits granted at no cost are considered to be part of an employee's salary. To reduce the risk of potential claims to employee entitlements, employees should expressly agree in the applicable award agreement that participation in the Plan is discretionary and that termination of employment will result in the loss of unvested rights. 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 the Plan's documents for employees is recommended, but not legally required. Government filings must be in Portuguese.

Regulatory

Securities Compliance

There are no securities compliance issues with regard to the offering of restricted stock or RSU plans.

Foreign Exchange

The employee may be subject to minor annual reporting for shares and any other rights/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 award agreement.

Tax

Employee Tax Treatment

The employee should not be subject to income tax on the value of the Stock when the restricted stock is granted. The employee is subject to tax on the value of the Stock when the RSU award vests. The employee may also be subject to a capital gains tax at the time of sale.

Social Insurance Contributions

Generally, social insurance contributions are not imposed on restricted stock or RSUs. However, social insurance contributions may apply if grants are made frequently and subsequently characterized as part of regular employment income.

Tax-Favored Program

None.

Withholding and Reporting

In principle, the employer has no withholding and reporting requirements with respect to a restricted stock or RSU plan. Nonetheless, the tax authorities may take the stand that since the RSU should be deemed as regular compensation, the company should withhold the income tax assessed when the RSU award vests.

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 restricted stock or RSUs 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.

