



International Considerations for Offering Stock Options and Equity Awards

As a global company, offering equity to non-U.S. employees has many considerations that must be addressed BEFORE the benefits are offered. If you have not addressed the following topics, then it is extremely important to discuss these considerations as soon as possible.

Here are a few of the considerations for offering stock options and equity awards to non-U.S. Employees. FRS has several white papers and our International Taxation Starter Chart that may be of assistance to your company. Call us to receive these documents at no charge.

There are 7 basic areas of regulations that must be addressed:

1. Taxation: Employee and employer taxation
2. Accounting Expense for stock-based compensation
3. Security controls
4. Currency controls
5. Employment and personnel concerns: Data privacy, communication, labor and employment regulations
6. Filing requirements in the country
7. Administration of equity benefits

EIGHT Important Steps to Complete BEFORE You Offer Equity to Your Non-US Employees!

Here are the 8 steps to take before offering stock to your non-U.S. employees. Or, if you are already offering equity benefits outside the U.S., then take these steps now!

1. Form a **committee** with HR, legal, accounting, and payroll to review the benefits offered to the non-U.S. employees.
2. What **types of equity** will be /are offered: Stock Options, Restricted Stock awards, Restricted Units, Phantom Stock, ESPP?
3. **Seek the advice** of the company's audit firm, legal counsel and an outside consultant.

4. Define or redefine the **purpose** for the company to offer equity compensation.
- a. Share in ownership.
 - b. Incentive for long-term employment
 - c. Performance goals
 - d. Bonus for service
 - e. CAUTION - when evaluating the purpose for offering equity benefits outside the US:
Ensure that this is indeed an incentive to the employee and is considered by the employee as a benefit.
If the employee doesn't understand the benefit, it's not a benefit.

5. **Forecast the costs** to the company.

- a. Stock-based compensation under FAS123R or IFRS-2
- b. Administrative costs: Stock Plan Admin, HR, Legal, Accounting/Finance
- c. Transfer agent costs
- d. Software costs and maintenance
- e. IT, indirect costs for server, security
- f. Auditors fees
- g. Outside consulting costs

6. **Local language requirements:** Are the Grant Agreements required to be converted to the local language? Are all communications regarding salary and benefits required in local language?

7. **Transfer Agreements,** charge-back arrangements. Talk with the Controller about what your company has in place. If you are a young company and do not yet have this in place, possibly the company should implement such an arrangement.

8. **Administration** over and above equity plans administration – Do you have a decentralized or centralized operation. Is there one liaison at U.S headquarters? What are the logistics of transferring funds collected for option exercises and ESPP participation, tax withholding amounts?

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