



Practical Guide to International Share Plans

Getting Started and Issues to Consider

Valerie Diamond, Baker & McKenzie
Veena Bhatia, Cisco Systems, Inc.



A Daunting Task?

Implementing international share plans can be an overwhelming task

Key steps we will cover:

- Getting organized and gathering facts
- Review of local regulations and filing requirements with key stakeholders



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A Daunting Task? (cont.)

- Review of tax considerations
- Consideration of administrative issues
- Employee communications
- Development of ongoing compliance process



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Cisco's Equity Plans



Approximately 36,000 optionees world-wide

Broad-based Plans

- Stock Incentive Program (69 countries)
- ESPP (59 countries)

94 acquisitions to-date – 37 active stock plans

Grant frequency

- Broad-based grants, as approved by BOD
- Monthly grants for promotions and new-hires

Basic terms & conditions

- 9 year term
- 5 years vesting



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Cisco's Equity Plans

Automated Stock Option and ESPP processing systems

Highly specialized processes

- US Plans implemented globally
- Compliant with local Securities, Labor, Tax, Accounting & Exchange Control Regulations
- No charge back arrangements in place

Mobile Employee Population

- 334 Expatriates
- 1124 Permanent Transfers

No Dividends



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Cisco's Equity Plans - SIP & ESPP Countries*

Argentina	France	Mexico	Slovakia
Australia	Germany	Netherlands	Slovenia
Austria	Greece	New Zealand	South Africa
Belgium	Hong Kong	Nigeria	Spain
Brazil	Hungary	Norway	Sri Lanka
Bulgaria	India	Pakistan	Sweden
Canada	Indonesia	Panama	Switzerland
Chile	Ireland	Peru	Taiwan
China	Israel	Philippines	Thailand
Colombia	Italy	Poland	Tunisia
Costa Rica	Japan	Portugal	Turkey
Croatia	Jordan	Puerto Rico	Ukraine
Cyprus	Kazakhstan	Romania	United Arab Emirates
Czech Republic	Kenya	Russian Federation	United Kingdom
Denmark	Korea	Saudi Arabia	United States
Dominican Republic	Lebanon	Scotland	Venezuela
Egypt	Luxembourg	Serbia	Vietnam
Finland	Malaysia	Singapore	

*Countries in red are SIP only – no ESPP. Countries in blue offer Bonus Rights – no SIP, no ESPP
 ** Morocco – no SIP no ESPP due to exchange control restrictions



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Become a Detective! Gather Facts



What are the basic terms of your awards? (e.g., vesting schedule, term, provisions on termination)

Where are your employees?

- Work with HR dept to get a listing of current headcount by country
- Get headcount growth estimates (if possible)
- Do they work for subsidiaries or branch offices?

Is there a deadline to rollout plan?

Has any regulatory or tax compliance been done for equity programs in the past? New plan?



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Become a Detective! Gather Facts (cont.)

What are the key regulatory issues?

Tax Considerations

- What are your corporate tax withholding and reporting obligations?
- Are there any tax advantageous plans available?
- Do you want to take a local tax deduction? Chargebacks

Prioritize your requirements and deadlines



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Regulations to Review

Securities Laws

- Obligation is the issuer's (not local country management)
- Check with your legal counsel to determine if the award is an "offer of security" requiring a prospectus or other filing in a country. You will need to provide this information to counsel:
 1. Basic terms of award and plan documents
 2. Country headcounts (e.g., Belgium)
 3. Value of shares offered in country (e.g., Australia)
 4. When you intend to grant award



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Regulations to Review (cont.)

Securities Laws (cont.)

What to ask your advisor:

- Is there exemption from the prospectus filing?
 - Self-executing?
 - Employee share plan?
 - Private placement?
- Can prospectus filings be avoided or reduced by restructuring grants or exercises in some way? (e.g., Italy (cashless), Japan (announcement))



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Regulations to Review (cont.)

Exchange Control Laws

- Employee vs. Employer responsibilities
- Funds leaving/entering country
 - Stock option costs & proceeds
 - ESPP contributions & residual refunds
- Repatriation of proceeds
- Illegal to hold shares in foreign issuer?



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Regulations to Review (cont.)

Labor Laws

- Special rights or obligations on termination of employment and notice periods (vs. employment at will)
- Protected leaves of absence
- Works Council notification/consultation/approval
- Equal benefits to part-time or fixed contract employees (423 plan issue)



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Regulations to Review (cont.)

Social Insurance Contributions

- Employee vs. Employer requirements
- Timing (due at grant, vesting, exercise, sale)
- Caps or thresholds

Income Tax Considerations

- Employer withholding and/or reporting requirements
- Employee requirements
- Timing of taxation: moment of taxation may be at grant, vest, exercise, or sale
- Availability of tax advantaged plans or exemptions



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Filing Requirements

Determine what filings are required for the type of equity awards you are planning on offering. Tip: RSAs and RSUs generally have fewer filings.

- Options, RSAs, RSUs, SARs, ESPP

Determine schedule for filings

- One-time
- Quarterly/Bi-Annually/Annually
- Based on number of employees in country
- Based on number of shares granted in country



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Filing Requirements and Stakeholders

Determine if financial statements are required, and if they need translation

Determine if translations of any documents are required

Determine who appropriate internal stakeholder are:

- Accounting
- Legal
- CFO
- Board of Directors

Set up review process with stakeholders

Set up a Filings Calendar and review with all stakeholders



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Example: Filings in Japan (cont.)

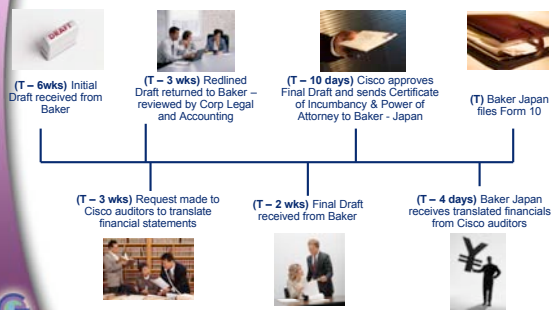
ESPP:

- Form 7-2: Semi-annually (based on purchase periods)
- Form 8: Annually, January of each year (Reviewed by auditors)
- Form 10: Annually, 9 months after FY end (Reviewed by auditors)

Note: Offers to fewer employees/value or companies with direct, 100% owned Japanese subsidiary may avoid filings.



Cisco's Japan Form 10 Filing Timeline



Tax Withholding & Reporting

Determine where you have a corporate withholding and/or reporting obligation

Determine whether to withhold on salary, sale of shares, shares (if permitted)

Determine moment of taxation in various countries

- Which countries are tax at grant, tax at vest, tax at exercise, or tax at sale?

Do you have any tax rulings in place allowing for special tax considerations?

Determine annual reporting obligations (*i.e.*, Israel, UK and France)



Tax Withholding & Reporting (cont.)

Tax Favored Option Plans and Exemptions:

Key issues: Can employer avoid social charges and withholding obligations? Can employee get more favorable tax rate?

- France (pricing rules and closed periods)
- Italy (pricing rules)
- UK (approval process)
- India (approval process)
- Malaysia (pricing rules)
- Australia (pricing rules)
- Israel (trustee plan)



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Tax Withholding & Reporting Process

Determine process for withholding and reporting

- Process for in-country employees
- Process for inbound and outbound expatriates

Who will do the withholding?

- Local payroll
- Stock Administrator – define process for remitting funds to tax authorities – not all countries allow inter-company netting



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Tax Withholding & Reporting Process (cont.)

Who will do the reporting?

- Local payroll – define process for flow of transaction information
- Stock Administrator

Work with your tax advisors and local finance/payroll managers to determine the appropriate withholding rates and reporting requirements for each country



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Cisco's Option Withholding Process

Withholding is done at source by Stock Plan Services in the US

Determine maximum rate allowed (work with tax advisor)

Maximum withholding rate is applied by broker and deducted from option proceeds

Withholdings are cross-charged to local payroll (where allowed)

Local payroll determines employee's actual rate of withholding and refunds any excess withholding through the next month's payroll



Cisco's ESPP Withholding Process

Tax is due on Purchase in many countries

If corporate withholding obligation, local payroll calculates and withholds taxes and social contributions from next month's payroll

If corporate reporting obligation, local payroll works with local advisor to file reports as required



Consider Administrative Issues

- Online grant document distribution vs. hard copies? (e.g., one is easier but other provides more security)
- Signature of acceptance? (e.g., Belgium, Netherlands)
- Electronic exercises, telephone/IVRs, hard copies, exercise form
- Brokerage/administrative services? Exclusive broker(s) vs. choice



Employee Communications

Translations

- Required in some countries
- Necessary in others

Rolling-out the program

- Presentations
 - From corporate? Web-seminars
 - Train the trainer
- Email



Providing Context

- How does program compare with those typically offered to employees in country



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Employee Communications (cont.)

Be aware of "compensation" issues and take steps to avoid

Works councils/Unions/Forums

Consultation?

Notifications?

Modifications or termination of program?



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Ongoing Compliance Issues

Tax withholding and reporting issues should be reviewed on a least an annual basis. Be aware that not all countries have calendar tax years (e.g., U.K.)

Regulatory issues should reviewed on an annual basis

Counsel should keep you informed of changes in the law

Resources are available!



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Any Questions?



Valerie Diamond
Baker & McKenzie
(415) 576-3086
valerie.h.diamond@bakernet.com
Veena Bhatia
Cisco Systems, Inc.
(408) 527-1697
vbhatia@cisco.com