GLOBAL
SHARE PLANS
RANKING REPORT

2023 - 2024

GLOBAL SHARE PLANS RANKING STUDY

A country-by country view of support for equity-based compensation

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INTRODUCTION

RESEARCH FINDINGS

There is a wide body of research demonstrating how broad-based equity and profit-sharing programs improve employee, business, and financial outcomes including through employee retention and engagement, enhanced productivity, and increased revenue and return on investment.[1]

For the purposes of this paper a reference to ‘employee share schemes’ (ESS) includes a reference to all employee equity incentive structures, and not just share schemes.

ESS gives businesses the ability to attract, retain, and motivate workers, allowing them to share in the business’s success and build long-term wealth. Encouraging employee share ownership is widely considered to be desirable, where made feasible by a country’s legal, tax and policy settings.

The decision for companies to offer ESS and employees to participate in ESS is influenced by factors like tax laws, employment laws, securities laws, economic and political factors, and cultural considerations. This study evaluates these country characteristics to gauge the support and receptivity for ESS. In this study, those five country characteristics were assessed to measure the level of support and receptivity for ESS (Characteristics).

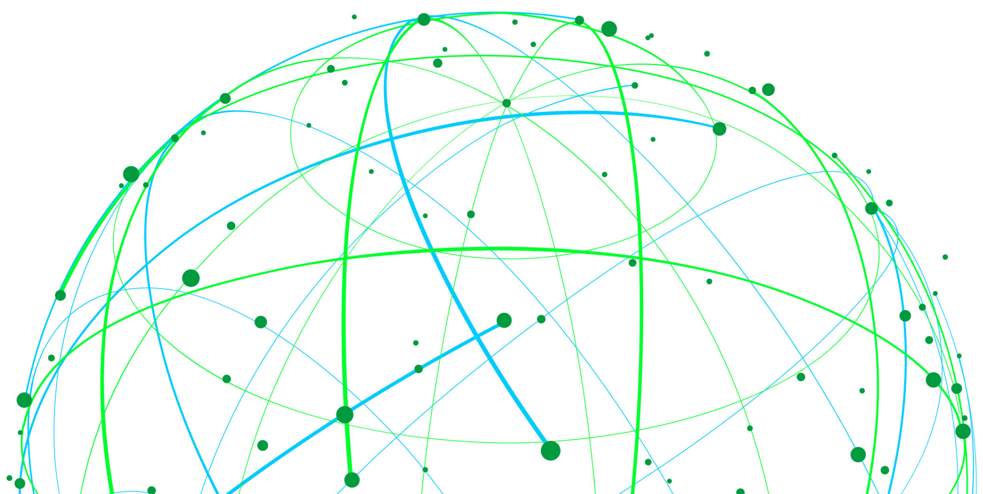
The objective of this study is to rank the surveyed countries, identifying those leading in ESS and those which may benefit from introducing reforms to their local regulatory and tax systems and taking other measures to increase the desirability of operating ESS within their borders.

METHODOLOGY

The Global Equity Organization’s (GEO) Academic and Government Council conducted the research in collaboration with a project team of global equity compensation specialists (Project Team). The Project Team designed a survey of 28 questions to measure the level of receptivity of the country’s operating environment to employers adopting, and employees participating in ESS (Appendix A).

Local subject matter experts involved in the design, implementation, and administration of ESS in each country were identified. They collaboratively evaluated each survey question, leveraging their country-specific expertise, on a standardized scale ranging from 1 to 5, with 5 denoting the highest rating and 1 indicating the lowest, as shown in the following below. Their ratings (as moderated and standardized by the Project Team) are published at Appendix B.

[1] See for example, Global Equity Insights Survey: https://www.globalequity.org/surveys



KEY	
1. Strongly disagree	This factor needs to be significantly improved to make businesses and employees receptive to ESS.
2. Disagree	This factor needs to be improved to make businesses and employees receptive to ESS.
3. Neutral	This factor neither persuades nor dissuades businesses and employees in this country from participating in ESS. There is room for improvement.
4. Agree	This factor generally encourages businesses and employees to be receptive to ESS, but there is some room for improvement.
5. Strongly agree	There is no material room for this factor to be improved to make businesses and employees receptive to ESS.

The local subject matter experts were also asked to provide a short, written essay to accompany their survey responses.[2]

Overall, 26 countries were assessed from multiple global regions.

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2023-24 ESS FINAL COUNTRY RANKINGS

Figure 1 displays the conclusive list of countries, ranked from highest to lowest, based on the overall average scores (1 – 5) for the 28 questions assessed for each country.

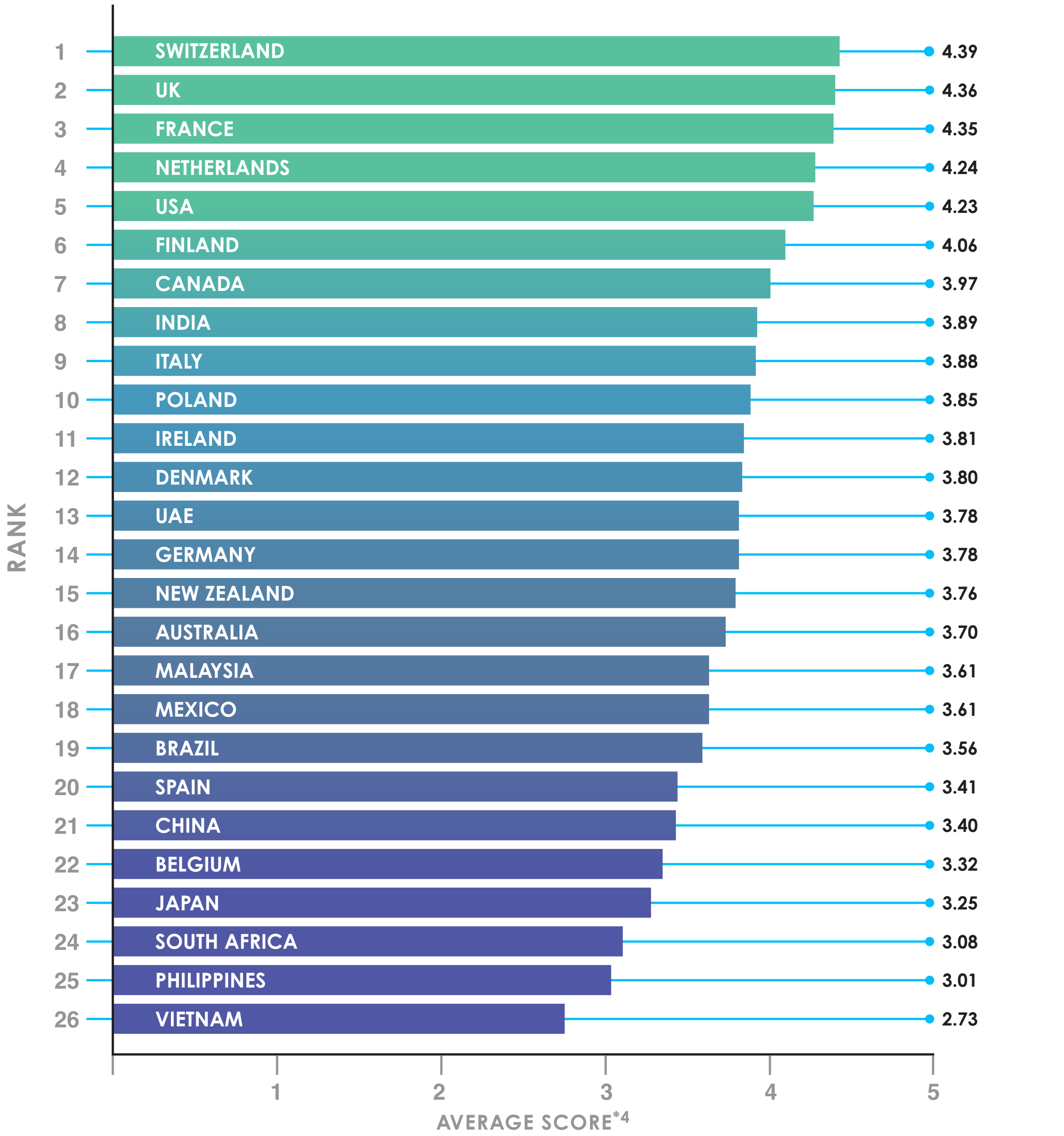
Following this, a summary of responses for each question is presented illustrating the range of responses from the highest to lowest rated countries. Additionally, individual rankings for each of the five Characteristics covered in this report are outlined.[3]

[2] These essays will be published on the GEO website and be made accessible to GEO members.

[3] The original survey that the Project Team provided to the country experts included a sixth Characteristic, described as "miscellaneous considerations". After further and careful consideration, this Characteristic was removed from consideration. This is described in the "miscellaneous considerations" section of this report in further detail.

The aim is to spotlight best practices from higher-ranked countries that foster an environment that supports the creation and expansion of ESS and identify practices and policies in lower-ranked countries that can be improved. It is the committee's aspiration that providing this research will prompt more countries to adopt policies and enact new law and regulations to stimulate the growth of ESS globally.

ESS COUNTRY RANKINGS - FIGURE 1



[4] The average score does not take into account the survey responses received for "miscellaneous considerations". See the section headed "miscellaneous considerations" below for details.

GLOBAL SHARE PLANS RANKING STUDY

ANALYSIS OF RESPONSES

TAX SURVEY QUESTIONS

1. The country has tax concessions for grants of equity to senior executives
2. The country has tax concessions for all-employee share plans
3. The country has tax concessions for start-ups
4. The country taxes share options on exercise (as opposed to grant or vesting)
5. The country provides effective rollover relief for share scheme interests for corporate actions
6. The country's tax laws facilitate the operation of share plans for both listed and unlisted companies
7. The country has simple tax reporting rules for employee share schemes
8. The country has tax withholding rules for employee share schemes
9. The country's tax laws in relation to share plans are easily understood by participants
10. The country's tax laws accommodate internationally mobile employees (inbound and outbound)
11. The country's tax laws facilitate the use of trusts to hold employee shares
12. Companies operating in the country are able to claim tax deductions for the costs of operating share plans

What follows is the Project Team's summary and analysis of the local country experts' survey and essay responses.

ANALYSIS OF TAXATION RESPONSES

The Project Team considers that a country's tax regime is a significant factor which may increase the receptivity of employers adopting, and employees participating in ESS.

In the rankings, the Project Team looked at countries where there were developed tax regulations specifically related to ESS, which facilitate the design of ESS and the delivery of awards in country. It allows companies to better plan and address compliance because the rules are definitive and easier to operationalize.

Specifically, the Project Team observed that equity-based compensation would be encouraged in a country which had a tax system that offered concessionary tax treatment for equity compensation compared to other types of remuneration (e.g. cash wages). The Project Team also considers that ESS participation is particularly encouraged where tax concessions exist broadly for grants of equity to all workers including, employees, directors and contractors, regardless of their seniority, and where targeted tax concessions are available to start-up companies.

GLOBAL SHARE PLANS RANKING STUDY

Overall, many of the surveyed countries' tax laws appeared to facilitate the operation of ESS for both listed and unlisted companies, but there seems to be a great need for improvement in general. For example, the country experts in the Netherlands noted that it can be problematic for unlisted companies to achieve upfront agreement with the tax authorities on the company's valuation. There was a large variance in responses regarding whether a country has simple tax reporting rules for ESS. The country experts for Italy reported that there are no specific tax reporting rules for ESS in their domestic laws.

REPORTING AND COMPLIANCE

The Project Team further observed from the reports of country experts that ESS participation is encouraged in countries where the tax assessment and reporting rules are simple and are easily understood by both issuers and participants and where the tax system provides the issuer with the flexibility to withhold taxes on equity interests provided to employees.

The employment income deriving from such schemes is calculated by the employer and reported as part of the overall employment income of the employee. Whereas in the USA, the country experts reported that the reporting rules are reasonably understandable for issuers but are often difficult to understand for participants. The Australian country experts noted that the reporting rules in their country are reasonably understandable for experienced, domestic issuers. However, they are often difficult to understand for participants and foreign issuers. The Denmark country experts noted that there are multiple reporting requirements in place for tax purposes, and although online reporting is required, there are complex requirements that can be hard to navigate.

There was also a large variance in responses regarding whether a country has tax withholding rules for ESS. In Germany, the country experts reported that the employer must withhold the employee's contribution and the Finland country experts noted that in that jurisdiction, there is published guidance relating to their tax withholding rules. Conversely Australia's country experts noted that its tax laws do not require or readily allow for employers to withhold in respect of tax payable on ESS interests. Further, they noted that the lack of a tax withholding framework for ESS income routinely creates problems for employees who fail to sell sufficient shares to cover their personal tax liability.

PARTICIPANTS

Overall, regarding whether a country's tax laws in relation to share plans are easily understood by participants, there seems to be a lot of confusion and a need for better clarification. There was a common theme of country experts noting that participants find it difficult to understand how their share plan income is taxed, e.g. USA, and the need for getting expert independent advice, e.g. Australia.

MOBILE EMPLOYEES

There was an equally large variance in responses on whether a country's tax laws accommodate internationally mobile employees (inbound and outbound). In Brazil, the country experts noted that income and earnings ascertained by an individual in connection with an ESS may only be subject to taxation in Brazil if the individual is a tax resident in this country, or the paying source is a Brazilian entity. The Netherlands country experts also noted that their jurisdiction has an extensive network of tax treaties, offering relief for double taxation between the countries involved. USA country experts noted that tax laws there can accommodate for internationally mobile employees, however, these laws are difficult for participants and issuers to understand. The USA country experts highlighted that, unlike most other jurisdictions, the USA generally taxes USA tax residents on worldwide income regardless of where that income is earned.

EXECUTIVES

Overall, in the surveyed countries, the country experts noted that tax concessions for grants of equity given to senior executives are typically part of a broader policy applied to other employees, e.g. Poland and UK. However, some of the country experts reported that their countries specifically do not offer tax concessions for senior executives, e.g. Brazil.

Most of the country experts reported that their countries also offered tax concessions for all-employee share plans, with some limitations. For example, the UK country experts noted that the UK has four different statutory tax advantaged employee equity plans, two all-employee and two discretionary, and the Italy country experts noted that Italy generally taxes ESS interests as employment income at marginal rates, subject to limited reliefs and offers a tax and social insurance exemption for all employees for an amount of € 2,065 per year.

By contrast, country experts from a few countries also noted that their countries do not offer any tax concessions for ESS, e.g. Vietnam and Malaysia. The UAE country experts also noted that their country does not currently impose corporate tax, personal income tax or withholding taxes. As such, there are no tax considerations when considering ESS.

STARTUPS

Regarding tax concessions for startups, a number of country experts reported that their countries do not offer specific concessions, e.g. USA, Philippines, New Zealand, and Mexico. In Italy, it was reported by the country experts that the employment income originating from the grant of shares, restricted stock, restricted stock units, stock options and other financial instruments by innovative startup companies to their employees and directors is exempted from employment income tax and social insurance. It was also reported by the country experts that France, Australia and Finland (among other countries) offer tax relief in connection with ESS interests granted by eligible startup companies.

STOCK OPTIONS AND DEFERRALS

The Project Team also considers the timing of when a participant is taxed to be critical to promoting ESS participation. In particular, the Project Team observed that if the employees were taxed on the grant or vesting of their options and were faced with a 'dry taxing event' rather than in connection with a liquidity event (e.g., on exercise or sale), the participants would be required to find external funding sources for their tax liability. This may discourage the participants from participating.

Looking at the timing of when the countries tax the employees on their equity interests, as expected, a majority of experts reported that tax typically occurs in connection with a liquidity event, i.e. at exercise as opposed to grant or vesting and therefore reduces the risk of a dry tax charge for participants. Interestingly, the experts in Poland stated that share options are taxed at the moment of vesting and then at the moment of sale. However, it is possible to defer the moment of taxation to the moment of sale, if certain conditions are met.

From a tax perspective, the Project Team also considered it beneficial for effective rollover relief to be offered for ESS interests in connection with corporate actions. In this regard, most of the country experts reported that their jurisdiction either does not provide effective rollover relief, or does so only in certain circumstances. For example, in Canada it was reported by the country experts that the tax legislation does provide for rollover relief, which typically is limited to stock options. In Australia, it was reported by the country experts that their tax legislation does provide for rollover relief, and that whilst these are not available for every type of ESS interest in all circumstances, they are generally considered effective where they are applicable.

TRUSTS

On the question of whether a country's tax laws facilitate the use of trusts to hold employee shares, many countries' tax laws either do not, or do so only under limited circumstances. It was reported by the relevant country experts that Finland, France, Malaysia and Vietnam do not permit the use of trusts as an interposed entity in connection with ESS. The experts for Canada reported that their tax laws also do not effectively facilitate the use of trusts to hold employee shares. In Brazil, the country experts reported that there is no tax rule which specifically regulates the use of trusts to hold employee shares. Therefore, from a Brazilian tax legislation's perspective, this procedure is not prohibited. Ireland's experts reported that their tax laws effectively facilitate the use of trusts to hold employee shares. However, there is a significant tax compliance burden on ESS trusts and possible tax liabilities for the trust itself, so there is room for improvement. Australian country experts noted Australia's special rules that make 'employee share trusts' flow through for tax purposes and encourage the use of such trusts in conjunction with the operation of ESS.

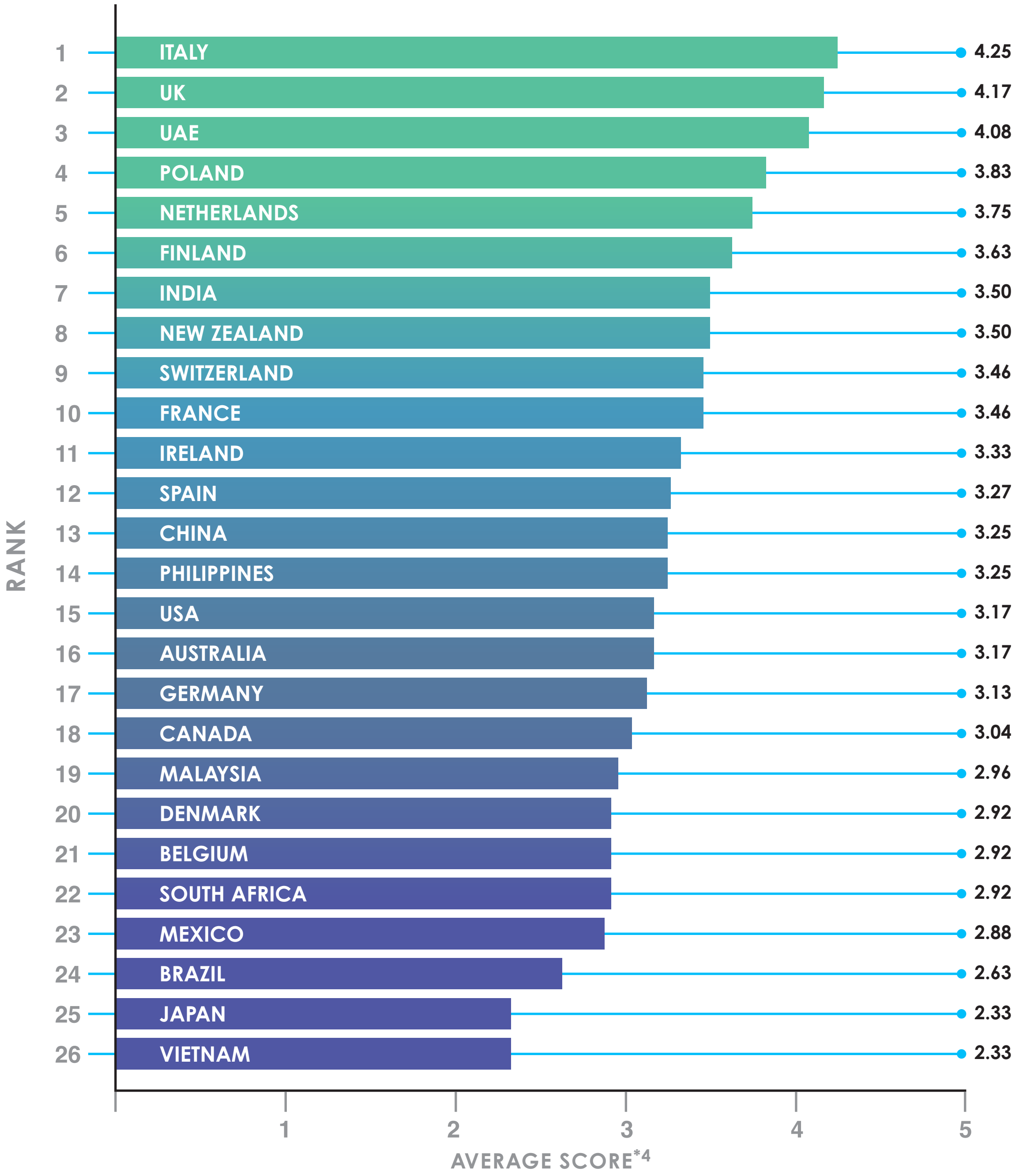
CORPORATE TAX DEDUCTION

Lastly, an assessment was conducted to determine if companies in each surveyed country were able to claim tax deductions for the cost of operating ESS. The Project Team observed that employers would be encouraged to offer equity as a means of compensation, where they are able to claim tax deductions for the costs incurred in operating ESS. Generally, many countries offer a corporate tax deduction, while some may limit some of the costs. For example, in Germany, the country experts noted companies can deduct the costs of operating ESS from their tax (as employee costs/ wage component). As another example, the country experts from the Netherlands observed that it is not possible to claim a corporate tax deduction for (equity-settled) ESS. However, the costs relating to cash-settled ESS, such as SARs, are still deductible, unless a certain maximum salary threshold (approximately EUR 600,000) is exceeded.

TAXATION: SPECIFIC COUNTRY RANKINGS

Based on the overall average scores (1 – 5, with 5 being the highest) for the 12 questions assessing tax policies for each country, the final list of countries listed from highest to lowest is shown in Figure 2.

TAXATION COUNTRY RANKINGS - FIGURE 2



GLOBAL SHARE PLANS RANKING STUDY

ANALYSIS OF EMPLOYMENT LAWS RESPONSES

EMPLOYMENT LAWS SURVEY QUESTIONS

1. Employees have adequate enforcement rights over shares acquired
2. Employees have a right of self-representation and a free labor market (and limited works council or union interference)
3. Employees can take leaves of absence (e.g. maternity leave) without negatively impacting their share scheme participation
4. Share schemes can be offered to a broad range of workers, including employees, directors and contractors
5. Employment laws are not restrictive in respect of ESS

The Project Team also considers that a country's employment law framework will have a bearing on the receptivity of employers adopting, and employees participating in ESS in any given country.

The Project Team also considers it is essential that employees have adequate enforcement rights over any shares that they acquire if the country wishes to encourage employee equity participation. Overall, the majority of country experts reported that employment laws in their country provide employees adequate enforcement rights over shares acquired. For example, the country experts in Denmark observed that employees are protected both by labor laws, contractual fairness clauses and shareholder rights regulations. In addition, the country experts from Switzerland noted that there is a robust legal system that protects the rights of parties entering agreements. Furthermore, the Irish country experts stated that their employment law and general contract law principles provide a sound basis for enforcement of rights. However, the experts in Italy stated it depends on the design of each specific ESS.

Additionally, the Project Team observed that where employees are able to take certain leaves of absences (such as maternity leave or carers leave) without any adverse consequences to their participation in the ESS, this encourages the use of ESS; compared to other forms of remuneration as it is more likely to deepen the 'tie' between the employer and employee. There was a range of responses assessing whether employees have a right of self-representation and a free labor market, with limited work council or union interference. For example, the Brazilian country experts noted unions and employee representatives do not interfere over ESS creation, grants, vesting and acquisition of shares. These are purely governed and regulated by contracts between the employer and each participant. It was also reported by the country experts that union or work council approval is also not required in Switzerland, China, Brazil, Mexico, UK, and USA. It was further reported by the country experts that union approval is not required in the Netherlands to set up an ESS, however, work councils have a right of consent if the ESS qualifies as profit sharing, savings or remuneration policy. In Belgium, the country experts reported that, depending on the industry and company, unions are rather powerful and are also involved in negotiating wages.

LEAVES OF ABSENCE

Regarding whether employees can take leaves of absence, e.g. maternity leave without negatively impacting their ESS participation, most country experts indicated it would depend on the design of each specific plan and type of leave. However, the country experts for Denmark noted that employees are protected by specific rules prohibiting the loss of rights during maternity/paternity leave. In the UK, the country experts said that it depends on the design of the plan but generally, leaves of absence (even sabbaticals) do not negatively impact participation, and some periods of leave are legally protected so employees cannot be impacted negatively by them, for example against discrimination (e.g. maternity).

EMPLOYMENT STATUS

The Project Team considers that for a country's employment law framework to encourage participation in ESS as a form of remuneration, a worker's 'employment status' should not materially disadvantage their participation in an ESS, and the country's employment laws should allow for companies to offer participation in their ESS to a broad range of workers, including employees, directors and contractors.

In most countries, it was reported that ESS can be offered to a broad range of workers, including employees and directors, though some of the country experts noted that in practice ESS is not typically offered to contractors in their country. In the Philippines and Poland, the country experts reported that share schemes are broadly offered to employees, regardless of rank. Switzerland's country experts noted that its tax, employment and securities laws allow issuers to offer ESS interests to a broad range of participants (employees, executives and collaborators). In Germany, Japan, and France, the country experts reported that ESS is broadly offered to employees, but not to contractors. Finland's country experts noted that it is burdensome to offer share schemes for contractors. Italy's country experts noted employment laws allow issuers to offer ESS interests to a broad range of people, although in practice shares are usually offered only to subordinate employees and not directors and/or contractors to avoid interfering with the autonomous nature of these latter types of employment and thus increase the risks connected with the potential reclassification of these individuals as employees.

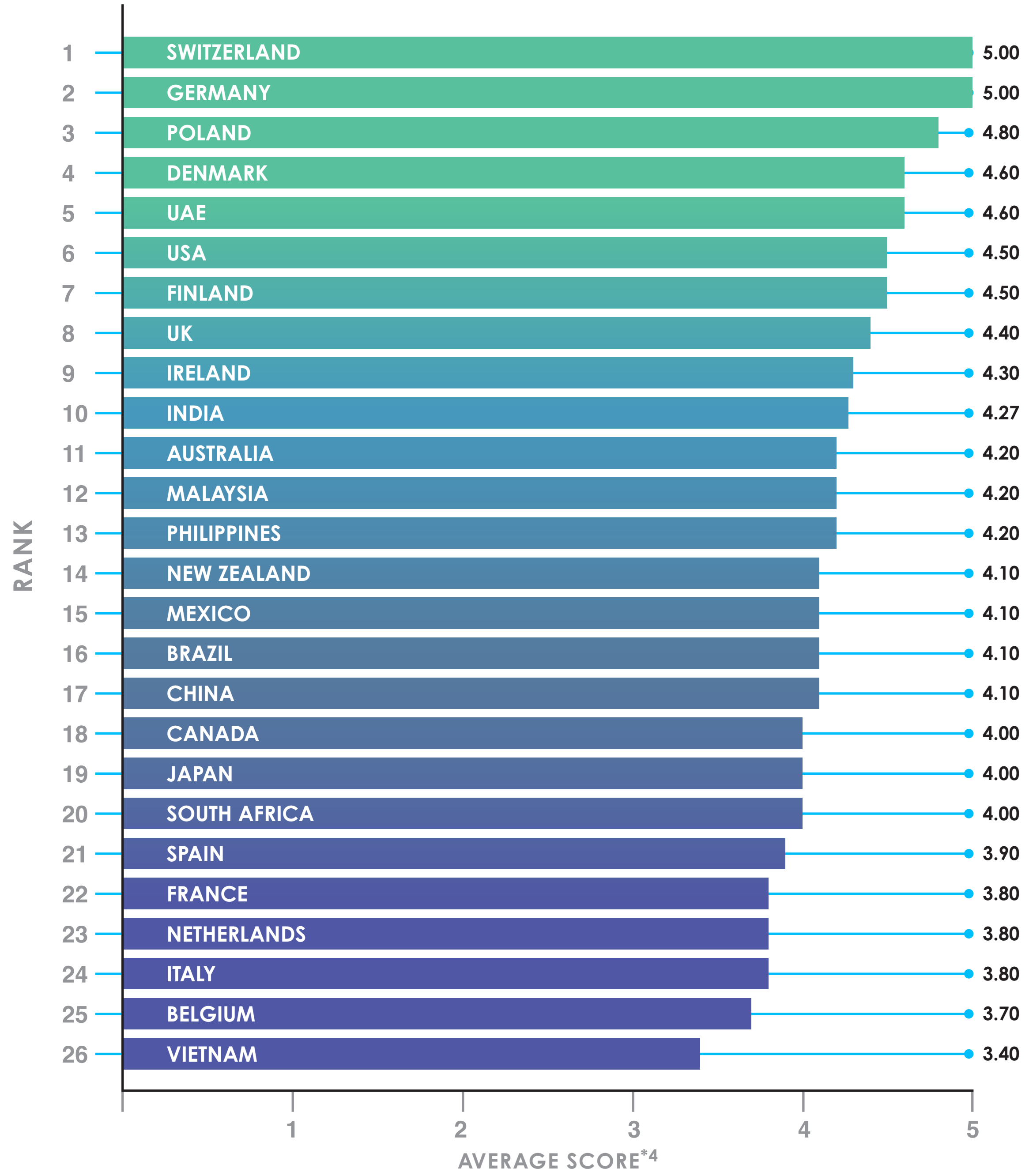
STATUS OF THE LABOR MARKET

Lastly, the adoption of ESS is further encouraged by a relatively free labor market, whereby the establishment of an ESS does not require a union approval process, and once an ESS has been set up, there is limited scope for a union to interfere with the operation of an ESS or to contest its terms. Most of the surveyed country experts reported that employment laws are not restrictive in respect of ESS. For example, Australia's country experts noted that Australia's employment laws do not generally or explicitly restrict equity compensation. However, Australia has in place a legislative regime that sets out the minimum employment standards (including minimum cash wages). Equity compensation must be made in addition to this. Broadly speaking, companies in the UK can operate their ESS as they wish without employment law restrictions (except, for example, regarding minimum wage and discrimination laws). It was also noted by many of the country experts that as far as possible, companies will try to exclude employment rights from applying to awards.

EMPLOYMENT LAWS: SPECIFIC COUNTRY RANKINGS

Based on the overall average scores (1 – 5, with 5 being the highest) for the five questions assessing employment laws for each country, the final list of countries listed from highest to lowest is shown in Figure 3.

EMPLOYMENT LAWS: COUNTRY RANKINGS - FIGURE 3



ANALYSIS OF SECURITIES LAWS RESPONSES

SECURITIES LAWS SURVEY QUESTIONS

1. Securities laws do not significantly restrict participation in an ESS
2. The activity of the country's securities regulator is predictable
3. Shares acquired are easily tradeable in accordance with the listing rules
4. There are no laws that cap the maximum amount of pay able to be provided to any employees (including upon retirement)
5. The employer company has adequate enforcement rights over shares issued

The Project Team further considers that for employers to be receptive to adopting, and employees receptive to participating in ESS, the securities law framework in the relevant country must be compatible with the widespread adoption of ESS.

The Project Team considers a securities law framework which does not significantly restrict companies from setting up an ESS or participants from participating in an ESS would encourage the widespread adoption of ESS. Across the majority of surveyed countries, country experts noted that securities laws do not appear to significantly restrict participation in ESS. The France country experts noted a share plan exemption that applies in the European Union to employee share purchase plans, while options and restricted stock units are not treated as an offer of securities for French securities law purposes. In the UK, the country experts observed that securities laws for ESS are not restrictive; however, there is complexity if a company wants to extend share schemes to contractors. In Belgium, the country experts observed that securities laws do not hamper the adoption of ESS. They do not significantly restrict companies from setting up an ESS or participants from participating in an ESS, in line with requirements under European regulations and the exemptions for ESS included in the relevant regulations. They also noted that Belgian consumer protection rules with respect to ESS documentation and consumer credit rules are applicable when providing employer credit to purchase securities.

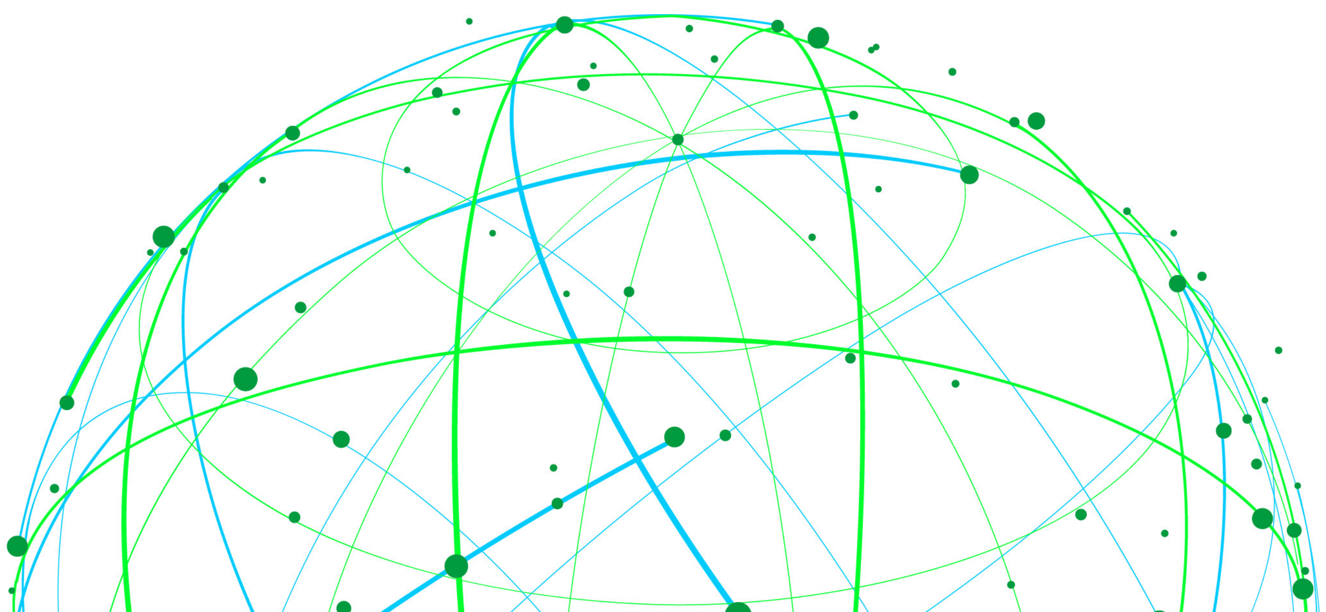
There is a moderate degree of variance regarding whether the activity of a country's securities regulator is predictable. In the USA, the country experts reported that activity of the U.S.

Securities and Exchange Commission (SEC) is generally predictable. For instance, to the extent that it seeks to materially update its regulatory guidance, it may consult with key stakeholders. The SEC also publishes an agenda of regulatory areas it intends to address each year. By contrast, the Belgian country experts noted that there seems to be little public information on the stance of Belgian regulators on ESS.

The Project Team further noted that participants will be more receptive to equity-based compensation where participants in an ESS can readily trade the shares that they acquire pursuant to that ESS. To this end, the country experts in many countries reported that shares acquired in their jurisdiction are easily tradeable in accordance with the listing rules. Typically, there are few specific regulatory constraints which prevent the trading of shares obtained through ESS. In some countries, such as in the USA, the experts reported that some trading restrictions exist, particularly for officers and directors. For example, the Chinese country experts reported that in China executives of a listed company who receive shares under an ESS face certain restrictions on share trading. In addition, the country experts in Vietnam reported that share trading is restricted, and all activities relating to the shares acquired must be carried out through the local entity of the issuer of the ESS, which adds a level of complexity.

Generally, the Project Team observed that securities laws which limit the value of the equity interests that participants can receive or the amount of the financial outlay that participants can incur in connection with an ESS will naturally limit the commonness of equity-based compensation. In particular, there were a few countries whose country experts reported that their laws cap the maximum amount of pay able to be provided to any employee (including upon retirement). A number of experts noted there are some restrictions regarding executive pay in the financial services industry, e.g. as reported by the country experts from Netherlands, Poland, Finland, and Denmark. In Australia, the country experts reported that there is a cap which may apply on the financial outlay that an employee can incur in connection with a broad-based ESS (including by paying the exercise price). In Ireland, it was noted by the country experts that the existing caps need to be reviewed to take into consideration inflation and salary growth.

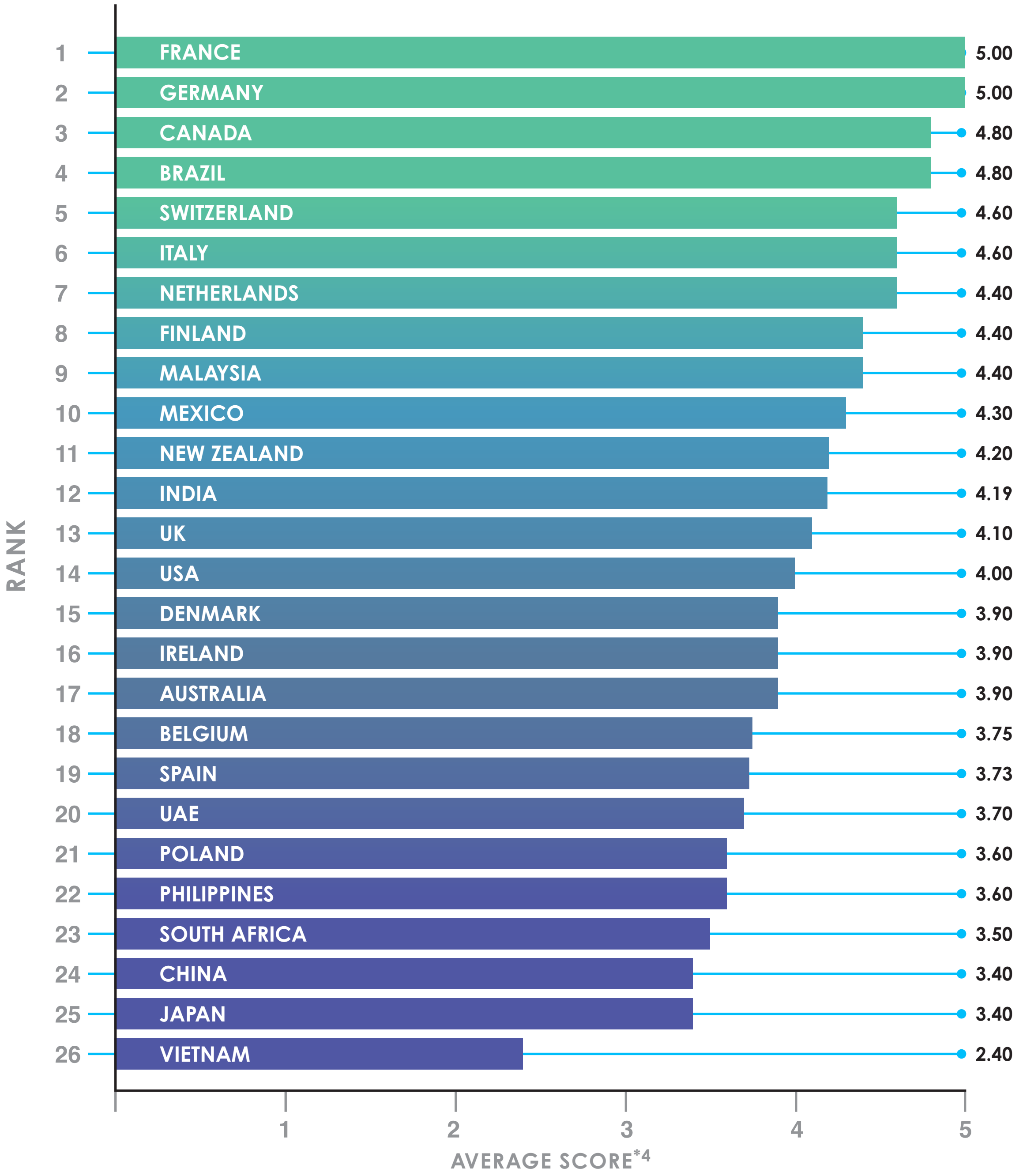
Lastly, in many countries the employer company has adequate enforcement rights over shares issued. It was reported by country experts in the USA that the nature of the enforcement rights depends in part on the corporation's state of incorporation, but the USA's corporations' laws generally do provide adequate enforcement rights. Poland's country experts reported their securities laws do not generally prohibit employers from enforcing any rights that they may have over shares issued, however, most rights rest with the employees. Experts for the UAE reported that courts are not familiar with ESS and there is no system of case precedent. It is, therefore, not possible to predict enforcement policy.



SECURITY LAWS: SPECIFIC COUNTRY RANKINGS

Based on the overall average scores (1 – 5, with 5 being the highest) for the five questions assessing securities laws for each country, the final list of countries listed from highest to lowest is shown in Figure 4.

SECURITY LAWS: COUNTRY RANKINGS - FIGURE 4



GLOBAL SHARE PLANS RANKING STUDY

ESS gives businesses the ability to attract, retain, and motivate workers, allowing them to share in the business's success and build long-term wealth. Encouraging employee share ownership is widely considered to be desirable, where made feasible by a country's legal, tax and policy settings.

ANALYSIS OF ECONOMICS AND POLITICAL CONSIDERATIONS RESPONSES

ECONOMICS AND POLITICAL CONSIDERATIONS SURVEY QUESTIONS

1. The country's economy is in a state of stable growth
2. The country has a 'free market'
3. The country has a stable political system
4. Foreign exchange controls do not significantly restrict the movement of funds between jurisdictions

The Project Team additionally considers that a country's economic and political landscape will influence the receptivity of employers adopting, and employees participating in ESS.

Not surprising, given the post COVID economy and current geopolitical environment, there is variance across countries as to whether a country's economy is in a state of stable growth. Many countries have positive long-term economic growth rates but are not immune to downward global economic trends. Slower labor force growth rates due to the continued reduction of birthrates, particularly in many of the developed countries, is also creating headwinds for future economic growth.

The Project Team considers that a stable market economy is typically more conducive to employers adopting, and employees participating in ESS. Regarding whether a country has a "free market", most country experts indicated they indeed have a market economy subject to some regulation, checks and balances. For instance, the China country experts noted that China has a free market for parts of its economy, and also has many protectionist policies and centrally managed industries.

Similarly, the Project Team additionally considers that employers are more likely to adopt, and employees are more likely to participate in ESS in countries with a stable political system. To this end, the country experts from most countries stated that their assigned country has a stable political system. Many noted that change in representation and leadership is largely an expected outcome of democratic political systems. The country experts representing single party states also noted having stable political systems.

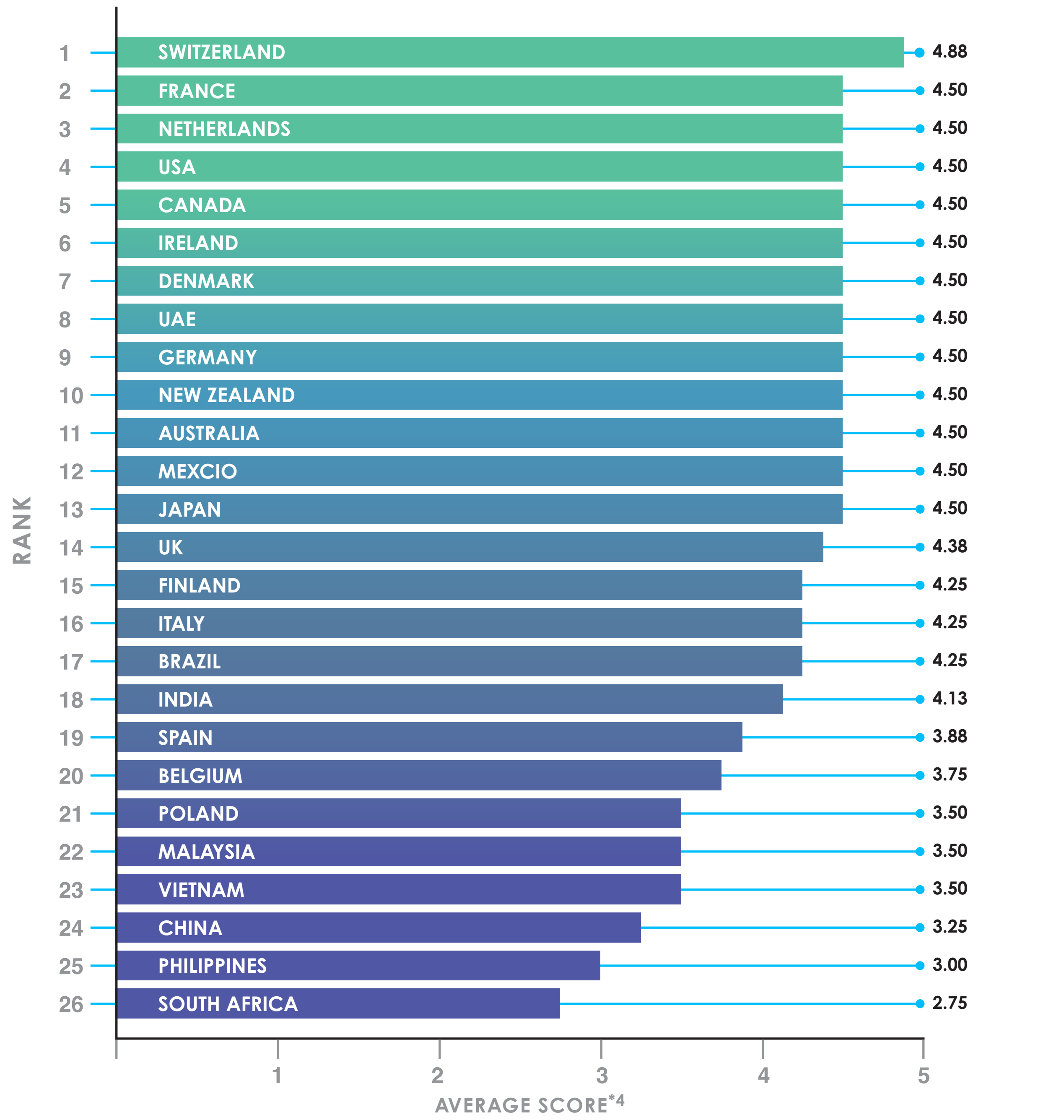
Lastly, the Project Team also noted that where a country has significant foreign exchange controls, this could restrict the movement of funds in a way that discourages the uptake of ESS. The majority of country experts noted that the foreign exchange controls do not significantly restrict the movement of funds between jurisdictions. Many stated that although there are laws in place to address anti-money laundering and foreign investments, they do not materially deter participation in ESS.

GLOBAL SHARE PLANS RANKING STUDY

ECONOMICS AND POLITICAL CONSIDERATIONS: SPECIFIC COUNTRY RANKINGS

Based on the overall average scores (1 – 5, with 5 being the highest) for the four questions assessing economics and political considerations for each country, the final list of countries listed from highest to lowest is shown in Figure 5.

ECONOMICS AND POLITICAL CONSIDERATIONS COUNTRY RANKINGS - FIGURE 5



ANALYSIS OF CULTURAL CONSIDERATIONS RESPONSES

CULTURAL CONSIDERATIONS SURVEY QUESTIONS

1. The country has a share ownership culture
2. It is common practice to participate in an ESS

Finally, the Project Team noted that cultural considerations may ultimately impact whether employers choose to adopt, and employees choose to participate in ESS.

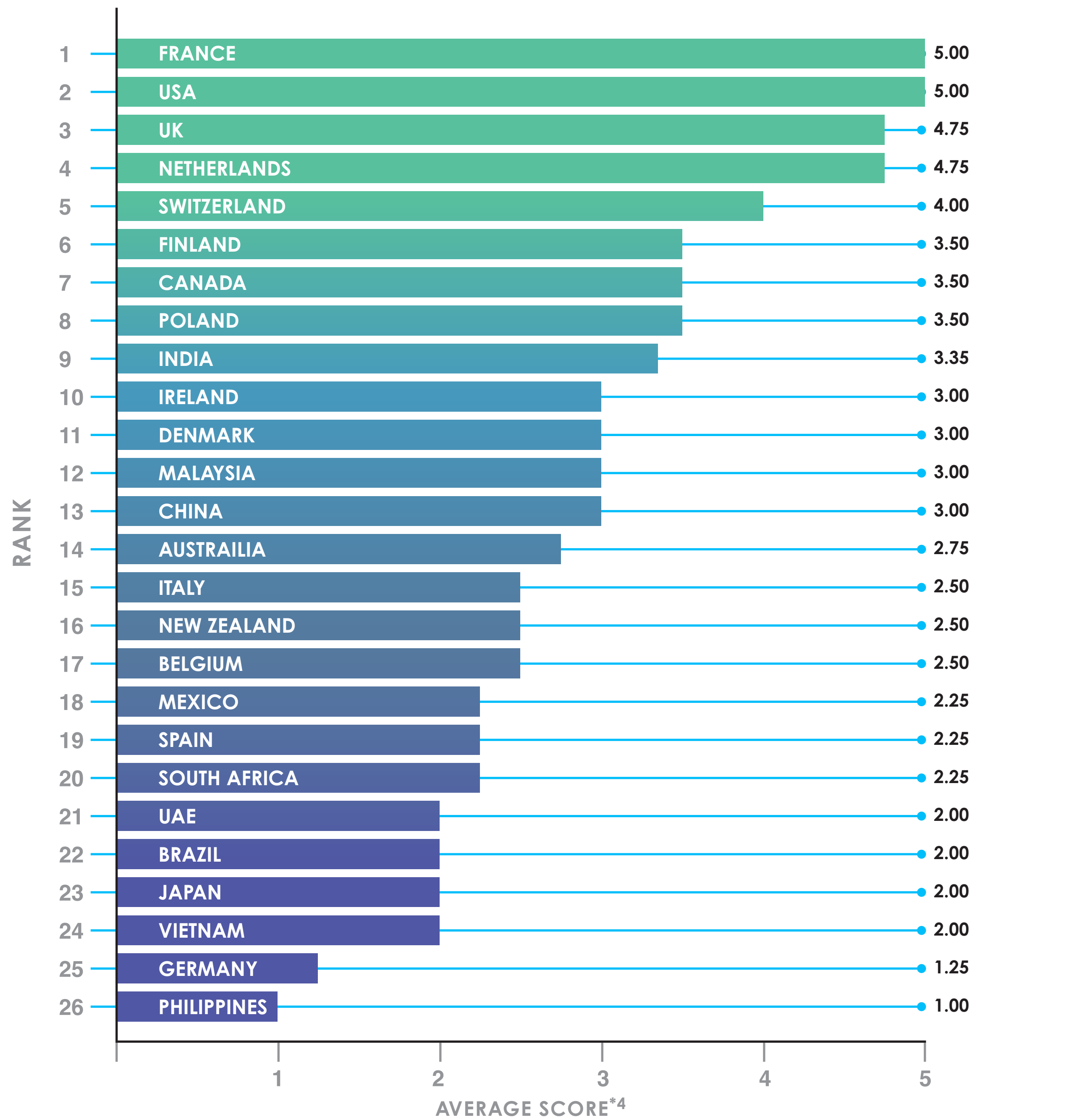
There was a large variance in responses regarding whether a country has a share ownership culture. For example, the French country experts noted that France's laws encourage an employee share ownership culture and provided the illustrative example that profit sharing is mandatory in France for employers with 50 or more employees with measures that encourage investments into shares of the company. The US country experts noted that their country generally has a share ownership culture, particularly in the technology sector and executive compensation. Broad-based programs are also common. In the UK, the country experts indicated that there is an ownership culture as most large, listed companies will have at least one all-employee share plan. In addition, the country experts from Denmark indicated that the share ownership culture in Denmark is growing stronger, as younger generations are showing more interest in share ownership than previous generations. A number of country experts noted their countries generally do not have a broad-based share ownership culture outside the technology sector and senior and executive compensation, e.g. Belgium, Brazil, and Japan. The German country experts similarly indicated that Germany does not have a share ownership culture outside the technology sector and outside senior executive compensation, noting savings are primarily in cash, not so much in shares. Country experts in both Vietnam and the Philippines noted a lack of an ownership culture in their respective countries. In particular, the Philippines country experts noted that generally employees in the Philippines prefer to be remunerated in cash and oftentimes are intimidated by the plan documents and tax implications associated with equity compensation.

Not surprisingly, given the variance in share ownership cultures, there was an equally large variance in the participation rates in countries' ESS. In some countries, the experts reported that there is a culture of share ownership across a broad range of industries (e.g. the US and UK). By contrast, the country experts in other countries reported that employee ownership culture is mainly concentrated in certain industries and sectors, such as for executive compensation or in the technology sector (e.g. Australia, Belgium, Brazil, Japan). Lastly, it was reported by a few country experts that their countries did not have a share ownership culture or have a culture that prefers cash over equity, meaning they generally have very low participation rates, e.g. Philippines, Germany, Vietnam, and UAE.

CULTURAL CONSIDERATIONS: SPECIFIC COUNTRY RANKINGS

Based on the overall average scores (1 – 5, with 5 being the highest) for the two questions assessing cultural considerations for each country, the final list of countries listed from highest to lowest is shown in Figure 6.

CULTURAL CONSIDERATIONS: SPECIFIC COUNTRY RANKINGS - FIGURE 6



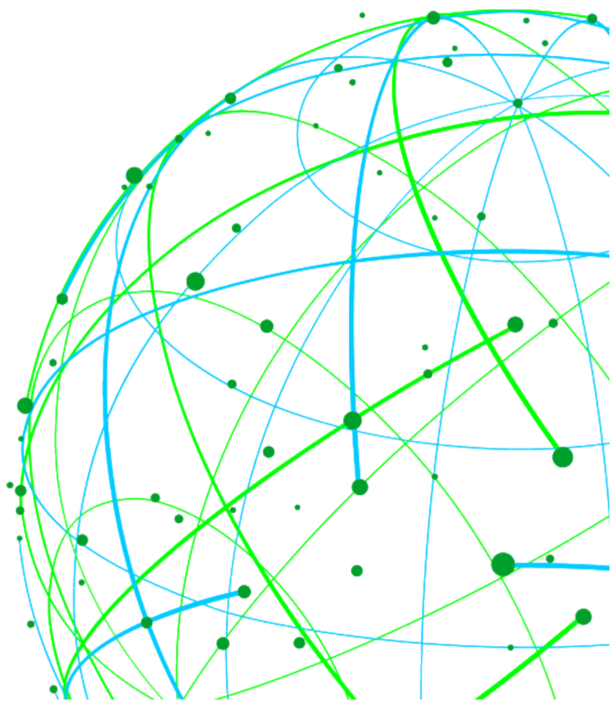
MISCELLANEOUS CONSIDERATIONS

The original survey that the Project Team provided to the country experts included a sixth Characteristic, described as “miscellaneous considerations”.

Under this heading, the country experts were asked to consider issues such as whether the country’s privacy laws included onerous disclosure requirements that impeded the adoption of ESS, whether institutional investors and proxy advisers were supportive of ESS, whether the employer is able to communicate easily with employees regarding their ESS interests through smartphone technology and applications, and whether the country has effective peak bodies to advocate for ESS. The Project Team found that these survey questions were interpreted by the country experts in a variety of different ways and that the responses could not sensibly be standardized. Accordingly, after further and careful consideration, this Characteristic was removed from consideration.

MISCELLANEOUS CONSIDERATIONS SURVEY QUESTIONS

1. Privacy laws do not include onerous disclosure requirements that relate to ESS
2. Institutional investors and proxy advisors are generally supportive of employee share schemes
3. The employer is able to communicate easily with employees through smartphone technology or other internet enabled devices
4. The country has effective peak bodies that lobby Government for the promotion of share plans and necessary reforms to law



GLOBAL SHARE PLANS RANKING STUDY

APPENDIX A

SURVEY QUESTIONS

TAXATION

1. The country has tax concessions for grants of equity to senior executives
2. The country has tax concessions for all-employee share plans
3. The country has tax concessions for start-ups
4. The country taxes share options on exercise (as opposed to grant or vesting)
5. The country provides effective rollover relief for share scheme interests for corporate actions
6. The country’s tax laws facilitate the operation of share plans for both listed and unlisted companies
7. The country has simple tax reporting rules for employee share schemes
8. The country has tax withholding rules for employee share schemes
9. The country’s tax laws in relation to share plans are easily understood by participants
10. The country’s tax laws accommodate internationally mobile employees (inbound and outbound)
11. The country’s tax laws facilitate the use of trusts to hold employee shares
12. Companies operating in the country are able to claim tax deductions for the costs of operating share plans

EMPLOYMENT LAWS

1. Employees have adequate enforcement rights over shares acquired
2. Employees have a right of self-representation and a free labor market (and limited works council or union interference)
3. Employees can take leaves of absence (eg. maternity leave) without negatively impacting their share scheme participation
4. Share schemes can be offered to a broad range of workers, including employees, directors and contractors
5. Employment laws are not restrictive in respect of ESS

SECURITIES LAWS

1. Securities laws do not significantly restrict participation in an ESS
2. The activity of the country’s securities regulator is predictable
3. Shares acquired are easily tradeable in accordance with the listing rules
4. There are no laws that cap the maximum amount of pay able to be provided to any employees (including upon retirement)
5. The employer company has adequate enforcement rights over shares issued

APPENDIX A

ECONOMIC AND POLITICAL FACTORS

1. The country's economy is in a state of stable growth
2. The country has a 'free market'
3. The country has a stable political system
4. Foreign exchange controls do not significantly restrict the movement of funds between jurisdictions

CULTURAL CONSIDERATIONS

1. The country has a share ownership culture
2. It is common practice to participate in an ESS

MISCELLANEOUS CONSIDERATIONS – NOT INCLUDED IN COUNTRY OVERALL RANKING

1. Privacy laws do not include onerous disclosure requirements that relate to ESS
2. Institutional investors and proxy advisors are generally supportive of employee share schemes
3. The employer is able to communicate easily with employees through smartphone technology or other internet enabled devices
4. The country has effective peak bodies that lobby Government for the promotion of share plans and necessary reforms to law

GLOBAL SHARE PLANS RANKING STUDY

APPENDIX B

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APPENDIX B

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GLOBAL SHARE PLAN RANKINGS REPORT DISCLAIMER

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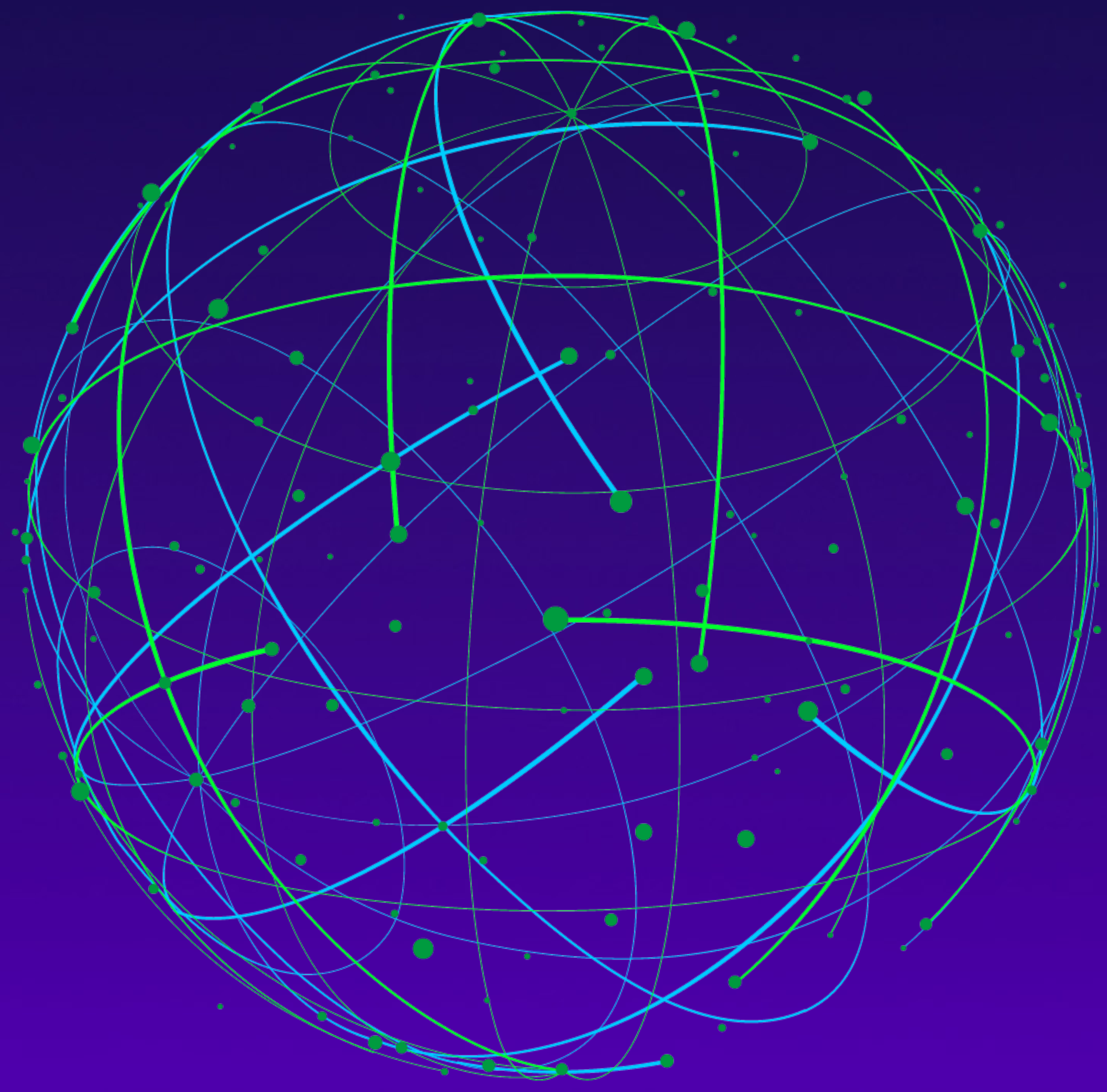
GLOBAL SHARE PLANS RANKING STUDY

GLOBAL SHARE PLANS RANKING REPORT

2023 - 2024



GLOBAL SHARE PLANS RANKING STUDY