

# 2006 Global Equity Incentives Survey\*

Moving out of uncertainty—new trends in equity rewards





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# Foreword

In a relatively short period of time, equity compensation has moved from the shadows of footnote disclosure, to center stage in both corporate financials and corporate governance. As intense as the focus on equity compensation was during the months preceding the recognition of expense for all forms of equity compensation, that scrutiny has continued to intensify in the aftermath of this change in accounting. As shareholders, Board members, corporate executives and employee groups evaluate the impact of equity compensation on the bottom line, a host of issues have come up regarding the relative expense and benefit of each type of equity compensation award. Far from staging the demise of equity compensation, the requirement to recognize and expense all forms of equity awards has freed companies to explore new equity designs, and has increased the number of internal and external stakeholders charged with designing, managing and delivering compensation as a critical aspect of executing a company's business strategy.

Understanding the emerging (and continuing) trends in equity compensation among other multinational companies is essential as companies continue to work through issues related to their overall compensation programs. To this end, PricewaterhouseCoopers (PwC) is pleased to provide "Moving out of Uncertainty: New Trends in Equity Rewards." This Report details the findings from PwC's 2006 Global Equity Incentives Survey. Our Report is one of the most comprehensive studies available on the design and administration of equity incentive compensation plans for multinational companies.

It is an exceedingly challenging yet interesting time in the world of compensation and benefits. We hope you find the 2006 Global Equity Incentives Survey Report of assistance as you look to creating the employee incentives that will help your company achieve its business objectives.

Scott Olsen  
Principal  
Leader, Remuneration Network  
Human Resource Services

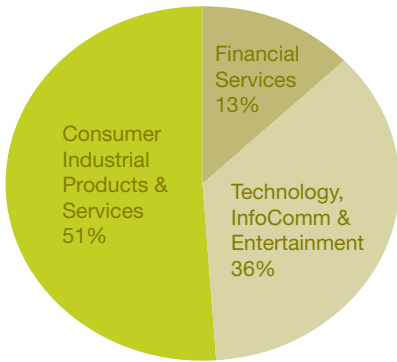
# Introduction and methodology

This Report provides an overview of the trends observed in our 2006 Global Equity Incentives Survey. PwC has prepared this Report to illustrate how various companies are handling the ever-developing array of tax, accounting and legal regulations related to strategic human capital issues and how responses have evolved since our last survey.

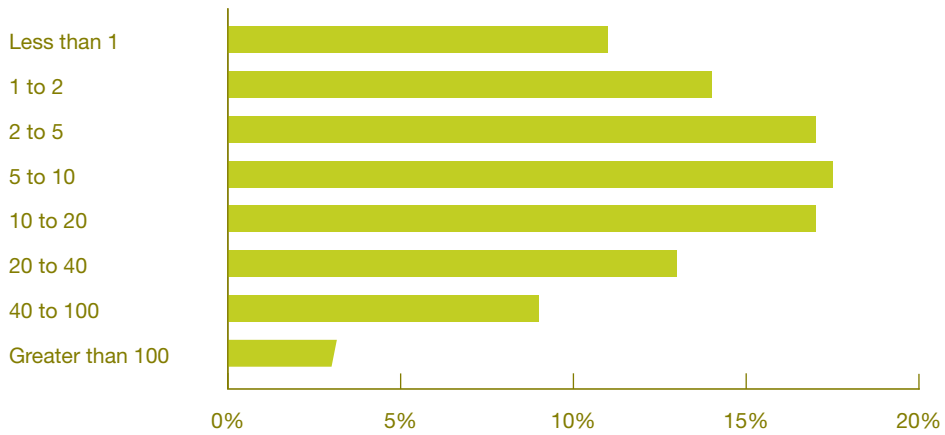
The Survey was conducted in April, 2006. Internet questionnaires were completed by 151 multinational companies headquartered in one of 16 countries worldwide. Our survey requested information on different types of equity plans, such as stock option plans, stock appreciation right plans, restricted stock/unit plans and employee stock purchase plans. We inquired about the design and administration of these plans throughout the world by asking more than 200 multiple-choice questions.

We believe the Survey results are statistically significant for publicly held multinationals that offer equity incentive compensation plans to executives and employees in the 38 countries identified on the following pages. The full spectrum of revenues and employee sizes are represented, and at least 13 companies with employees in each country participated. The largest number, 150 companies, have employees in the US. The least, 13 companies, have employees in Uzbekistan.

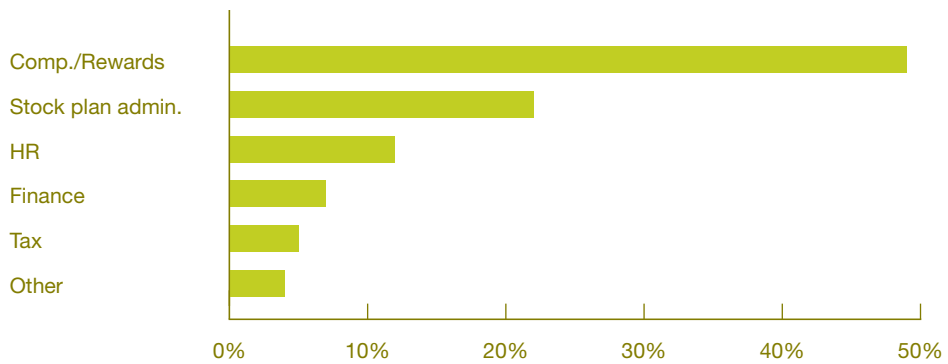
Percentage of participants  
by industry cluster



Percentage of participants by revenue (in USD billions)

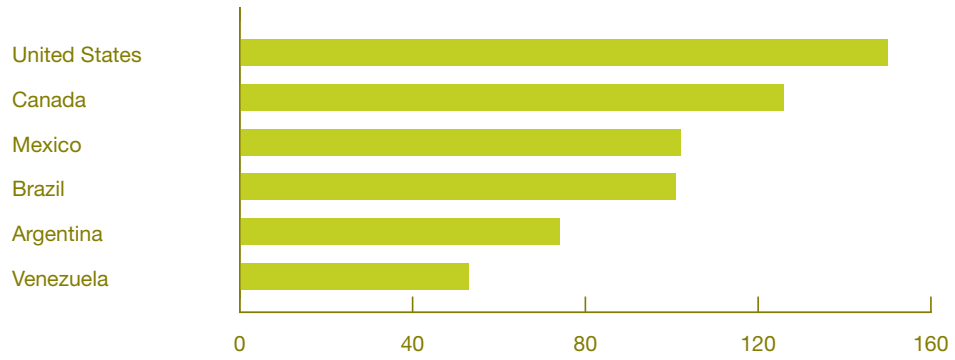


Role of the respondent

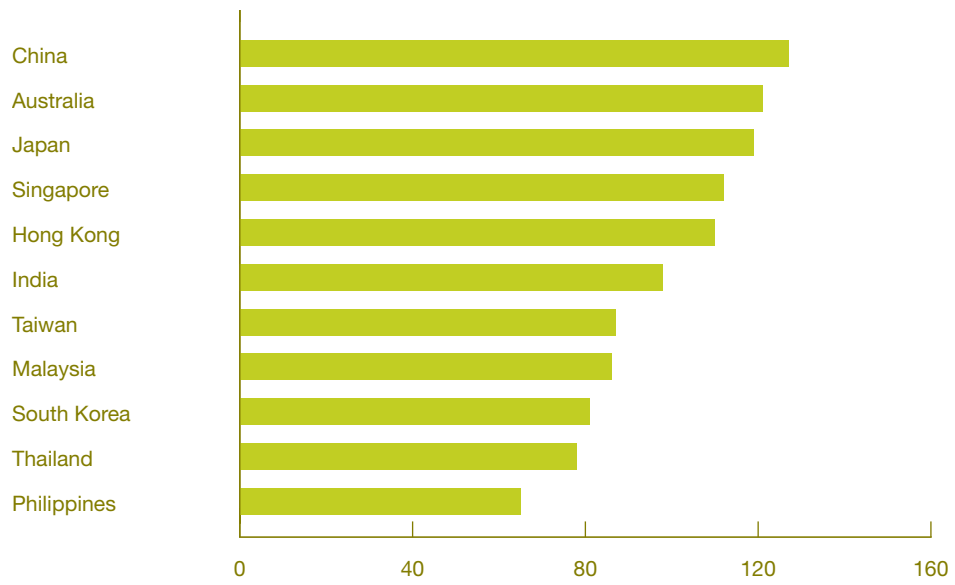


## Number of participants by country

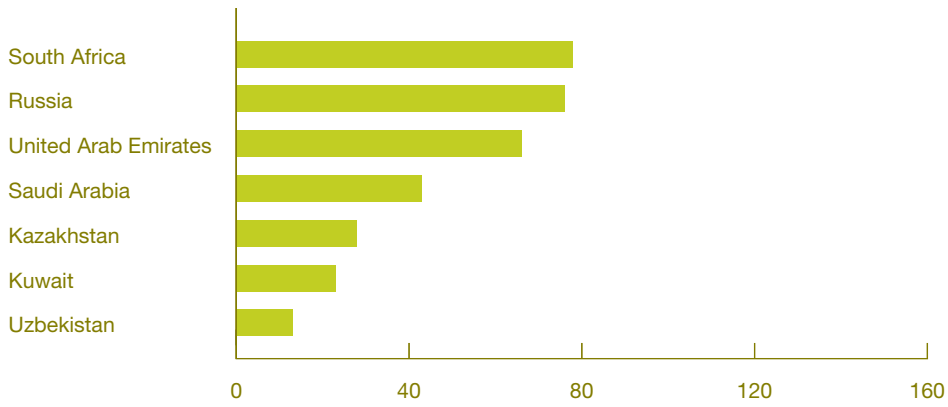
### Americas



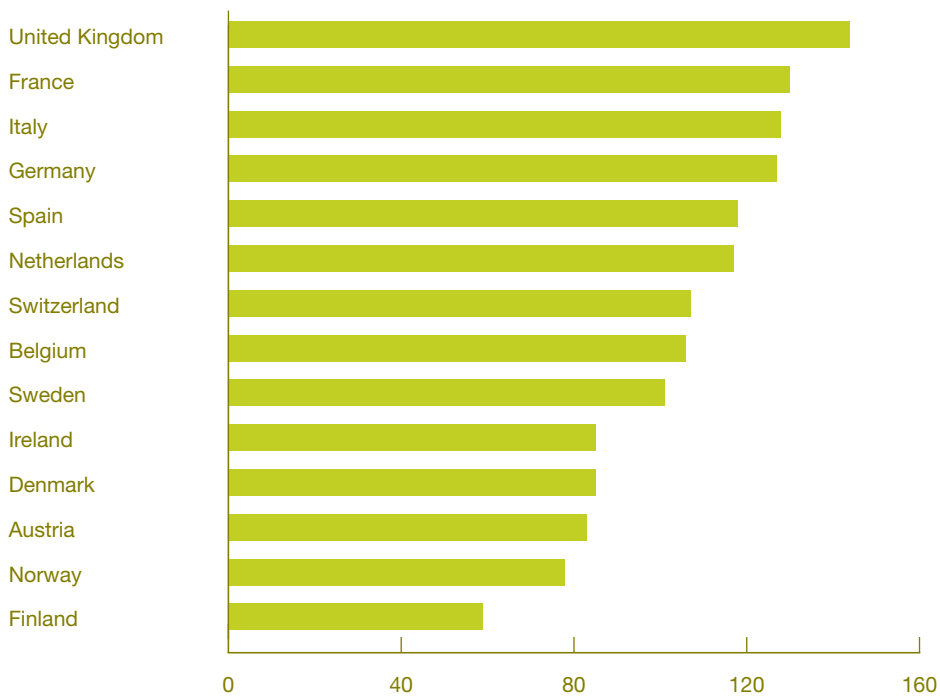
### Asia-Pacific



## Africa, Central and Eastern Europe and Commonwealth of Independent States



## Western Europe

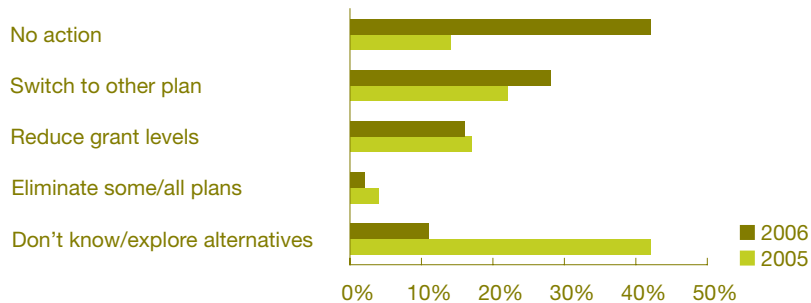


# Major findings

## Expensing equity compensation is a reality

The requirement to expense equity compensation is now a reality, reducing one source of the uncertainty reflected in last year's report on global equity rewards from PricewaterhouseCoopers (2005). Whereas initial reactions to this change in accounting tended to be negative, companies are now adapting to this reality by beginning to tailor overall incentive compensation strategies to suit specific employee demographics and company goals. Whether companies are simply carrying forward their old stock option plans into the era of expensing, "tweaking" their plans, or replacing them with new equity and/or cash-based incentive plans, the use of "plain vanilla" options as a "one-size-fits-all" form of equity compensation—because they were the "cheapest"—is over.

### What is the impact of expensing on your stock option plan?



The PricewaterhouseCoopers 2006 Global Equity Incentives Survey shows that companies are taking advantage of new opportunities and rethinking their compensation strategies by focusing on how they deliver compensation. For the last decade, companies wanting to achieve a variety of compensation goals have relied on stock options as the vehicle for those goals. Whether their goal was to attract, retain or motivate employees to deliver a particular result, the fact that stock options did not have an expense associated with them tended to tip the cost/benefit analysis of different types of equity compensation in favor of options. Perhaps chief among these opportunities presented, now that almost all forms of equity compensation must be expensed and reported in the same manner, is the wider variety of plans that can be customized to attract, retain and motivate employees.

The 2006 Global Equity Incentives Survey was conducted in the spring of 2006, just a year after companies based outside the United States began to recognize expense for stock options under IFRS 2, and a few months after U.S.-based companies began to do so under FAS 123R. The results of the 2006 Survey show the following new and continuing trends as multinational companies move out of uncertainty with their equity compensation plans:

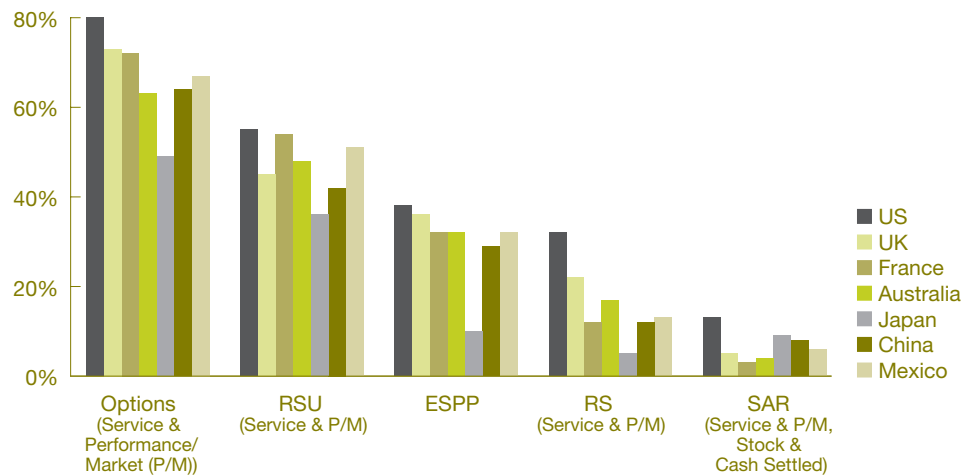
- A continuation of the three-year trend indicating a decline in “plain vanilla” stock options (both prevalence and size of grants), along with a new attention to which countries outside company headquarters participate in stock option grants
- More diversity in plan design, with a greater emphasis on full value shares and performance-based compensation
- Increased diversification in the design of service-based equity plans among various staff levels
- Continued challenges and sophistication in equity compensation plan design related to tax planning, compliance, administration and communication

## The decline in “plain vanilla” options

Options are not likely to disappear entirely. While the 2005 Global Equity Incentives Survey showed that nearly half of respondents were uncertain or exploring alternatives with respect to the effect expensing has on their stock option plans, the 2006 Survey results show that many of those who were uncertain have, at least for the time being, simply rolled their existing “plain vanilla” option plans forward. Indeed, more than 40% of this year’s participants indicated that they took no action to change their option plan in 2006 as a result of expensing.

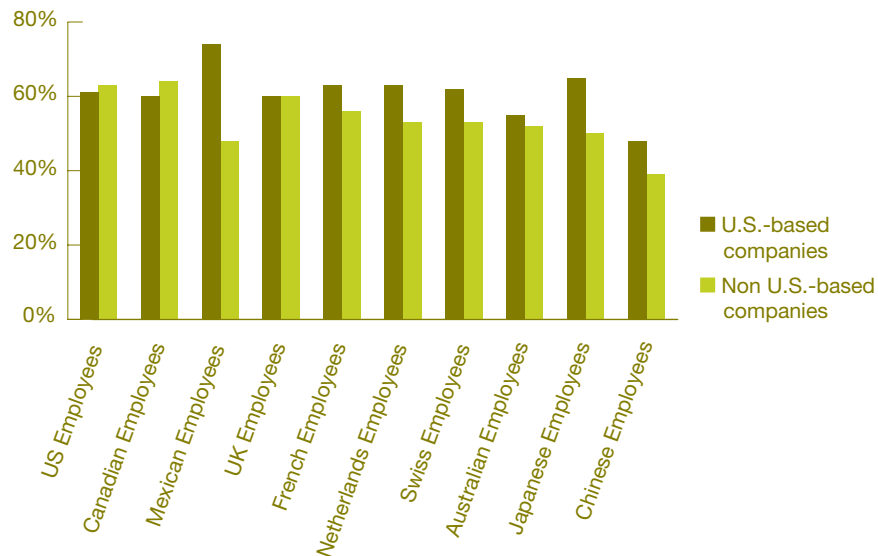
When we look at the mix of types of equity compensation, stock options (service-based and performance- or market-based) remain the single most prominent vehicle, regardless of the country where employees are located or where the company is headquartered.

### The equity mix in seven countries



### Prevalence of service-based options in ten countries

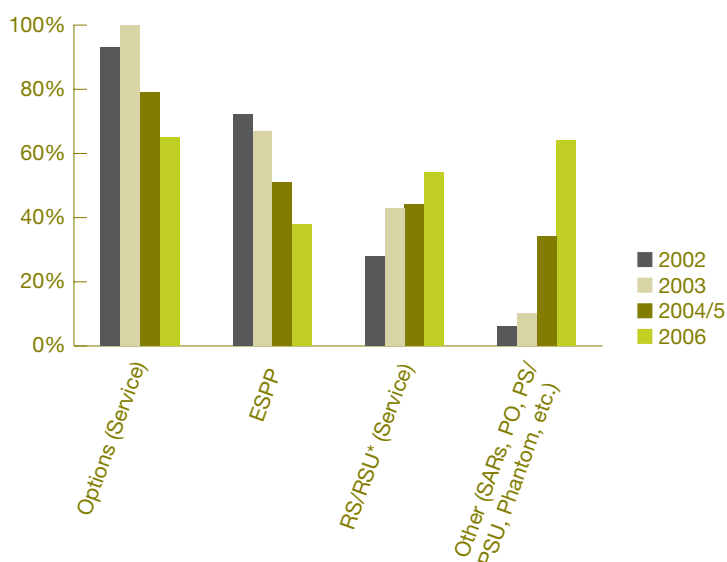
#### By country of company headquarters



While stock options continue to be the type of equity compensation that is most heavily relied upon by U.S. and non U.S.-based companies in all countries, we do see an overall decline in the prevalence of stock options in our 2006 Survey results, continuing a trend we have observed over the last three years. In 2003, virtually every participating company offered service-based stock options to employees in the United States. In 2004, when expensing was on the horizon, that number decreased to 80%. This year, just over 60% of participating companies with employees in the United States indicate that they offer service-based stock options to their U.S. employees.

### US equity plan mix

2002-2006

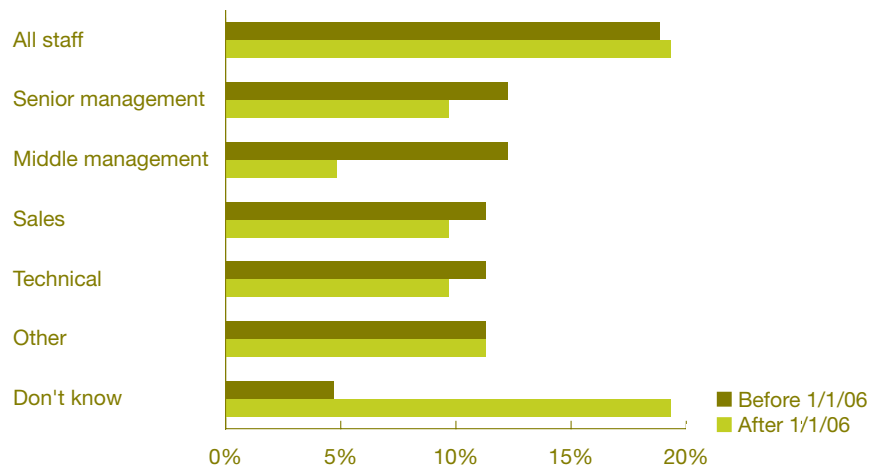


Historically, options may not have been the best way to provide equity compensation to employees for all of a company's varied compensation objectives. However, under previous accounting rules stock options were often a company's first choice because, unlike other forms of equity compensation, at-the-money stock options did not result in an expense on the income statement. Now that companies must recognize an expense for stock options, they are analyzing the cost/benefit relationship of stock options relative to other forms of compensation, and re-thinking how and when to use them. Indeed, barring significant legal and/or regulatory changes, we will probably never again see 100% of companies offering "plain vanilla" stock options like we saw in our 2003 Survey results.

A similar trend can be seen in the prevalence of employee stock purchase plans (ESPPs) offered by companies based in the United States. The majority of these plans provided benefits for participants in the form of a discount on the fair market value of the stock at the beginning or the end of the purchase period, whichever was lower. Under the old rules, these plans were not considered compensatory and, therefore, did not result in an expense for the sponsoring company. Under FAS 123R, however, most of these plans are now considered compensatory and result in an expense in the P&L. Not surprisingly, the percentage of companies offering ESPPs to employees in the United States has declined from 70% of U.S.-based companies in 2002 to 46% of U.S.-based companies in 2006, compared with 23% among companies based outside the United States. Unlike the case with options, companies based in the United States are nearly twice as likely to provide ESPPs as are companies whose headquarters are elsewhere.

Companies that plan to continue to offer stock options report reducing grant levels or restricting eligibility. Where grant levels have been cut, they are typically being cut at all employee staff levels, with 19% of participants reporting cutting grants to all staff, and over 10% of companies reporting that grants were cut to the following employee groups: senior management, middle management, sales and technical staff. Furthermore, companies report that cuts are not over. Indeed, participants expect to see similar reductions in grant levels for nearly all employee groups after January 2006.

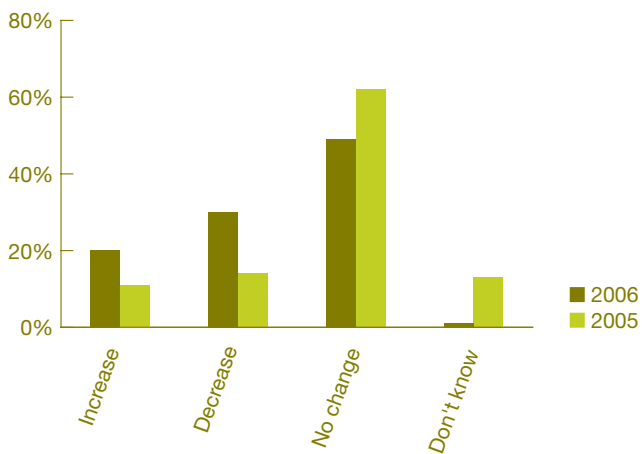
Staff levels whose option grant levels have been or will be cut



Nonetheless, while options are losing their ubiquitous role in the portfolio of equity compensation, they continue to be the single most relied-upon vehicle in every country where participants grant equity to employees. Furthermore, as companies gain more experience in global administration, tax, accounting and securities requirements related to equity compensation in the countries where they operate, they are adjusting the levels of participation among foreign affiliates in their equity compensation plans. The 2005 Survey indicated that the majority of participants did not anticipate making any changes where equity compensation is offered. This year, however, 50% of participants report that they have made some changes to where equity compensation is offered, with nearly equal numbers reporting increasing or decreasing the number of affiliates that participate.

Further, overall prevalence of equity-based compensation remains—and should continue to remain—high. With employee satisfaction with equity plans at 85%, it is not surprising that 75% of respondents continue to believe that the benefits of a global equity plan outweigh the costs.

### Changes in foreign affiliates that participate in equity compensation

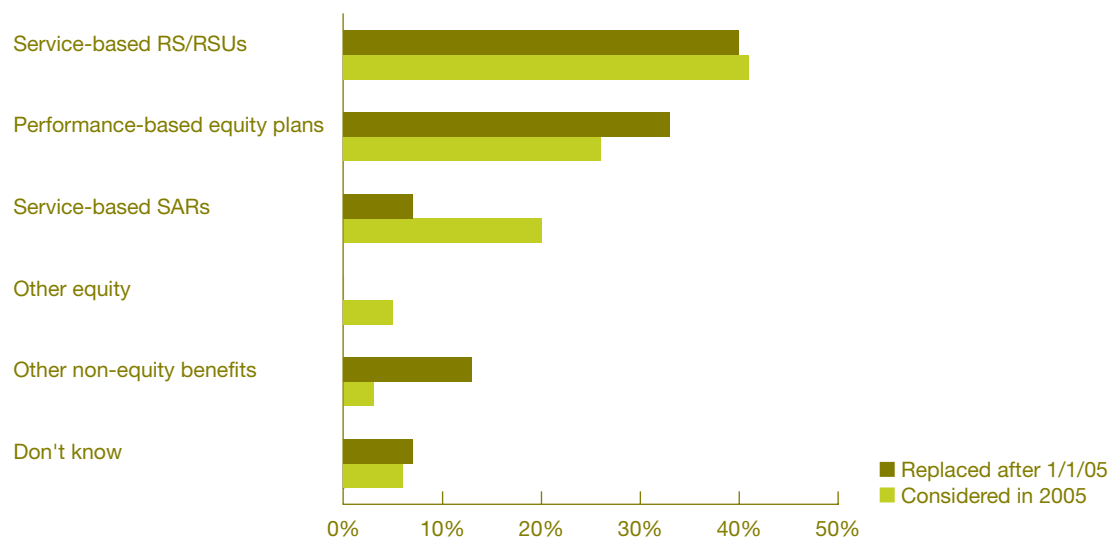


## Variety in plan design, more performance-based compensation

The second significant finding of this year's equity compensation survey is manifested in two ways. First, now that expense must be recognized for all equity compensation plans, companies are beginning to more fully explore the range of possibilities and to tailor equity compensation plans to specific employee demographics and specific company needs or goals. We expect that the broad diversity of combinations reflected in this year's survey will, over time, settle into trends unique to specific employee populations, business strategies, company maturity levels and competitive landscapes.

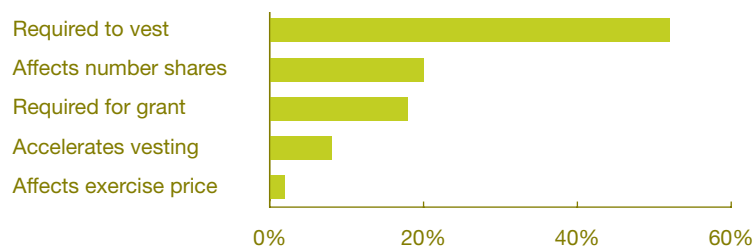
Second, as a result of this exploration, there is a noticeable shift to performance-based compensation, particularly for executive-level employees, whose performance has a measurable impact on a company's bottom line. Last year's report showed almost half of all companies that were planning to replace their option plans with something else were considering replacing them with performance-based equity arrangements. This year's report shows that nearly one-third of participants actually have replaced their option plan with a performance-based plan. This trend is reflected in responses by companies based in the United States, and those based outside the United States alike.

If you are replacing your option plan with something else, what are you replacing it with?



Performance-based incentives can take a variety of forms. Options, which create a benefit for employees only if the company's stock price increases after the grant date, can be designed so employees vest upon reaching individual or company-specified goals. Restricted stock (RS) and restricted stock units (RSU), however, are currently more commonly used vehicles for performance-based equity compensation plans. Performance can be based on company-wide results, division or segment performance, or individual productivity. Company-wide results may be market-based, represented by a rise in share price over a specific period of time or based on operating metrics. Division performance is typically tied to division-specific metrics, projects or priorities. Results can also be correlated with external factors or can, instead, be tied to productivity as measured by factors such as increased sales or a new product design. Insofar as recent accounting developments allow greater fine tuning of compensation delivery to what motivates each employee group to select features tailored to that group, this customization of equity incentives is a positive outcome of recent changes.

#### How do your performance and market targets work?

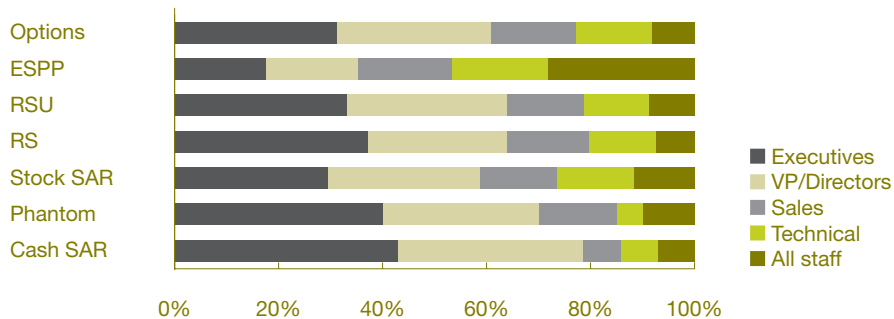


## More variety in service-based plans

Performance-based plans may be increasing in popularity, but service-based plans are still very much part of the scene. Used in combination with performance-based plans, service-based equity compensation plans can provide strong attraction and retention incentives to top talent in today’s competitive recruiting environment. Survey results indicate that many companies are increasing the use of service-based equity compensation such as restricted stock, restricted stock units and stock-settled stock appreciation rights. The key finding in this arena is the diversification of service-based plans. Since the beginning of 2005, about 45% of companies replacing their option plans have replaced option grants with service-based restricted stock and restricted stock unit grants. By January 1, 2007, nearly 40% expected to do so. Restricted stock and restricted stock units continue to increase in the overall mix of equity compensation design.

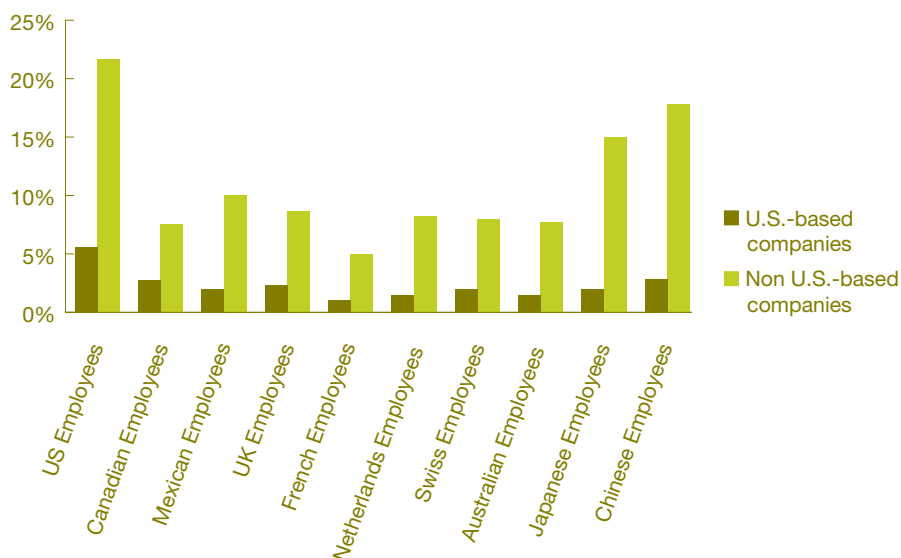
Where performance-based plans are focused more on the executive suite and sales and technical staff, service-based plans often apply to a broader range of employee groups— from executives through all staff levels. While over 60% of respondents indicate that executives and upper management participate in service-based RS and RSU plans, 10% report that “all staff” participate in such plans, with the rest fairly evenly divided between sales and technical staff. This year we also asked participants how they use equity and cash for their broad-based plans. One in ten companies report replacing options with cash bonuses, typically below the managerial level.

### Which employees participate in your service-based equity compensation plans?



A somewhat new trend shows a growing segment of companies (7-8% in 2006) that are replacing stock options with service-based stock appreciation rights (SARs). When we look at where companies that offer SARs are headquartered, we see that companies based outside the United States are more than twice as likely as companies headquartered in the United States to include SARs in the mix of equity compensation. SARs are like stock options in that they tie individual reward to company performance in a clear, easy way to understand. Unlike options, however, SARs do not dilute shareholder earnings by requiring that individuals pay a purchase price. We will be closely monitoring whether this trend favoring the use of SARs among non-US based companies is replicated among U.S.-based companies, which began complying with FAS 123R a year later than non U.S.-based companies began complying with IFRS 2.

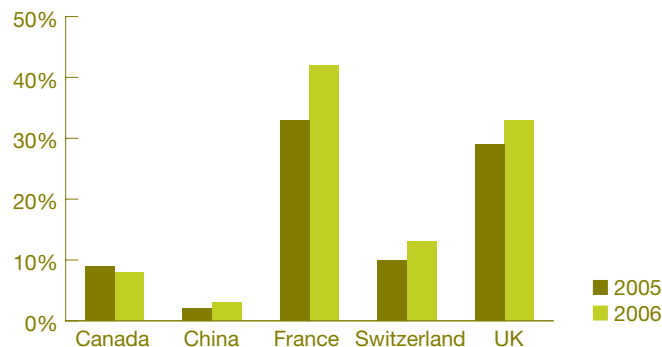
#### Prevalence of stock appreciation rights among U.S.-based and non U.S.-based companies



## Continued challenges in plan design and compliance

The requirement to expense equity compensation is reflected in the flurry of changes related to compensation design and valuation strategies and international compensation design. A corollary to these changes is the increase in the number of respondents that report taking advantage of various tax planning strategies related to equity compensation expense. Soon after IFRS 2 and FAS 123R were issued, companies were aware that they would be required to track expense for all forms of equity compensation grant by grant, employee by employee and country by country. Many of these same companies began to look for ways to allocate this expense to departments and local (foreign) operations. Companies also began to look more closely at introducing qualified plans where possible.

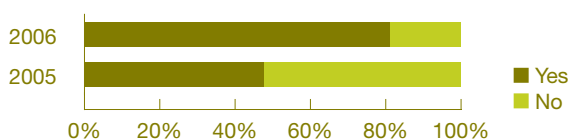
### Does your company offer a locally tax-favored plan?



Perhaps because the new accounting requirements mandate that record keeping is done at the individual and grant specific levels, the cost/benefit analysis of implementing locally tax qualified equity compensation plans has shifted for many global companies. Because this trend is apparent in both headquarter countries and foreign locations, additional cross-border coordination is anticipated in the future.

Meanwhile, increasing attention is being paid to country-specific tax planning, as in the growing use of charge-backs which can create corporate tax deductions that offset income lost to expensing. In 2005, less than 48% of respondents charged back the costs associated with equity/stock-based compensation plans to their foreign subsidiaries. By 2006, 61% of companies did so. We expect this increasing trend to continue as companies continue to look for ways to reduce the impact of stock-based compensation expense.

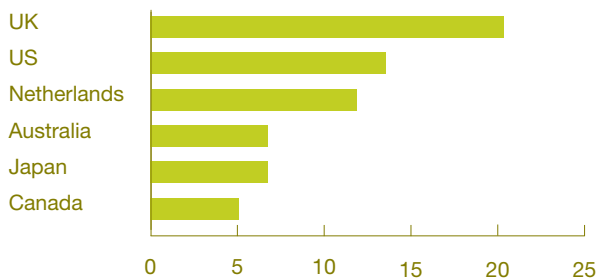
Does your company charge back the costs affiliated with your equity/stock-based compensation plan(s) to your foreign subsidiaries?



Note: 2006 results shown above do not include 14 "don't know" responses

Tax authorities worldwide have stepped up the number of audits they perform related to equity compensation. For example, South Korea has announced its intention to audit all the equity plans of all companies that do business there. In Japan, tax authorities are investigating whether individual executives have characterized equity compensation correctly and whether they are paying appropriate tax. In the United States, it has recently been discovered that a significant number of respondents have, in one way or another, backdated options. The SEC has announced that it will investigate this practice which, in effect, results in the granting of discounted options that are accounted for as if they were fair market value stock options. It is expected that these companies will have to take action to recognize additional expense. In this context, it is not surprising that compliance was cited as a significant challenge faced by over two-thirds of Survey participants.

Has your company been audited by local tax authorities during the last three years?  
(Most frequent responses only)

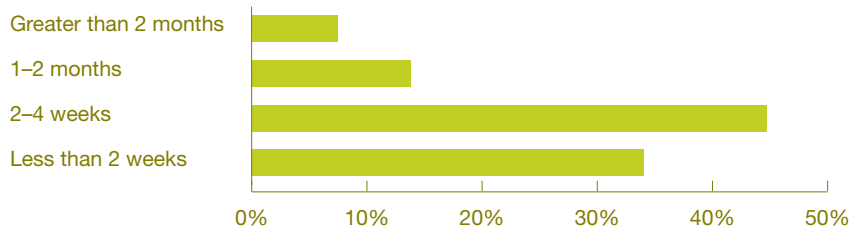


14 countries selected by less than 3% of respondents and 'Don't know' responses not represented in chart above.

The complexity entailed in the new regulatory environment has resulted in more challenges in the areas of stock plan administration and employee communications. A sizable number

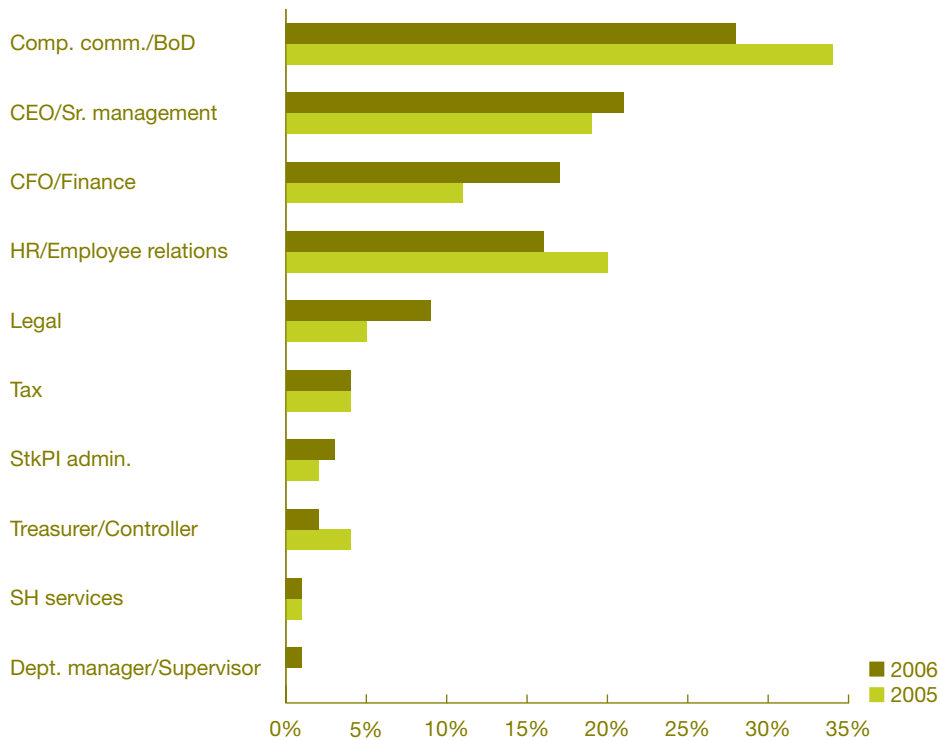
of companies, almost 45%, report a lag time of two-to-four weeks related to communication of equity compensation awards. More than 15% of companies' communication processes take more than a month. Further, companies reported a slight decline in satisfaction with both stock plan administrators and stock plan software from 2005 to 2006.

What is the general lag time between the Board's approval and the company's communication of the plan to employees?



However, on a positive note, there is more cross-department collaboration as human resources, accounting and tax departments are all increasingly involved in the design and administration of equity compensation plans. Equity compensation now generates reporting and budgeting responsibilities throughout the organization, bringing many new stakeholders into collaboration regarding equity compensation strategy, design and delivery.

Which five are the most influential decision-makers for your employee stock-based compensation plans?



# Conclusion

In general, in reviewing this year's findings on equity compensation, two points are abundantly clear. First, the most critical element in plan design is identifying company objectives. If the primary goal is to retain employees for three years (or more), then a service-based plan may be most appropriate. If the goal is to reach a given target, then the best choice may be a performance-based plan. Combination plans based on both service and performance can also be designed. In today's compensation marketplace, equity incentive plans can be tailored to reach specific objectives and to recruit and retain specific employee groups.

The second point is that despite complex and changing accounting, regulatory and tax requirements, equity in the company remains something employers want in the hands of employees. Companies across industries and borders will continue to explore the newly leveled playing field of equity compensation vehicles with respect to their particular business and talent management goals. Although leading practices in the design of these plans are in a state of flux, the one currency that is constant is the perceived value of employees owning company stock.

# Additional 2006 survey findings

## I. General and design information

Set forth below are some of the trends in equity compensation design that we observed in 2006.

- There has been a dramatic shift from stock options to performance-based restricted stock, at least as a component of the long term incentive plan (LTIP).
- The number of LTIP awards granted has decreased, as has the number of employees who are eligible for awards.
- Performance-based restricted stock typically focuses on operational performance, but more companies are looking at market conditions. The complexity of lattice valuation modeling, along with the fact that companies cannot reverse expense for market condition awards, is limiting the use of market based awards.
- Globally, companies are continuing to focus on grant guidelines in terms of structure and efficiency of the grant strategy.
- The new Executive Compensation disclosure rules for Proxy statements are once again causing companies to look hard at current compensation plans in general and LTIP in particular.

Does your company currently offer equity/stock-based compensation for employees in the country where the company is headquartered (HQ Country)?

	2005	2006
Yes	100%	98%
No	0%	2%
Don't know	0%	0%
Number of respondents	131	153

Indicate which types of equity your company currently offers to employees in the US:

	2005		2006	
	US Parent	Non US Parent	US Parent	Non US Parent
Options (Service)	84%	69%	61%	63%
ESPP	55%	46%	46%	23%
RS/RSU (Service)	48%	38%	52%	50%
Other (Performance, SAR, Phantom, etc)	27%	48%	51%	77%
Number of respondents with employees in the US	77	48	90	60

What is the length of the typical performance period?†

	2006
1 year	22%
2 years	3%
3 years	48%
Other	27%
Number of respondents	88

† The above question relates to performance-based awards, not the duration of the service period for time-based awards. Rather, the results in this question indicate the duration in which performance targets must be maintained.

What is the basis for your performance and market targets in your RSUs?

	2006
EPS	16%
Stock price/TSR relative to peers	11%
Cash flow	9%
Other/combination	9%
Return	9%
Revenue/ growth	9%
Stock/Share price	9%
Strategic milestones	8%
Residual earnings	5%
TSR	4%
Margin	3%
EBITDA	3%
EBIT	3%
IPO, merger, etc.	2%
Number of responses	127

I. General information

On a country specific basis, who participates in your service-based plans (as a percentage of all responses for each country)?

	Execs/ Upper Mgmt/ SVP/EVP	VP, Directors, Mid Mgmt	Sales	Technical	All Salaried employees	Total responses
United States	30%	29%	16%	14%	11%	269
UK	28%	31%	16%	14%	11%	230
France	27%	32%	16%	13%	12%	219
Germany	28%	32%	15%	13%	12%	206
Canada	29%	31%	16%	12%	12%	205
Australia	28%	31%	16%	13%	12%	179
Japan	25%	30%	17%	14%	14%	191
Netherlands	27%	30%	15%	13%	16%	184
China	29%	32%	16%	13%	10%	171
Italy	29%	32%	14%	12%	14%	169
Belgium	28%	30%	16%	13%	13%	164
Spain	28%	30%	16%	13%	13%	159
Hong Kong	26%	32%	16%	13%	12%	171
Singapore	28%	29%	14%	11%	18%	164
Sweden	26%	32%	16%	15%	11%	150
Switzerland	27%	31%	16%	14%	12%	154
Brazil	30%	33%	14%	12%	11%	142
India	29%	31%	16%	14%	10%	138
Mexico	29%	31%	13%	10%	16%	143
Austria	28%	32%	15%	12%	14%	123
Malaysia	23%	31%	15%	15%	16%	117
South Korea	26%	30%	17%	15%	12%	129
Denmark	27%	31%	15%	14%	13%	121
Ireland	25%	29%	15%	14%	17%	114
Norway	26%	29%	14%	12%	18%	114
Taiwan	28%	31%	16%	15%	11%	116
Argentina	28%	32%	15%	11%	14%	112
Russia	27%	25%	13%	13%	22%	102
South Africa	28%	31%	15%	14%	11%	99
Philippines	27%	27%	15%	11%	20%	96
Thailand	26%	34%	15%	13%	11%	99
Finland	28%	28%	15%	15%	15%	94
UAE	27%	34%	16%	14%	9%	74
Saudi Arabia	22%	25%	12%	12%	29%	59
Venezuela	26%	29%	15%	15%	15%	66
Kazakhstan	23%	26%	14%	14%	23%	35
Kuwait	24%	24%	6%	6%	41%	17
Uzbekistan	9%	27%	18%	18%	27%	11

On a country specific basis, who participates in your performance based plans (as a percentage of all responses for each country)?

	Execs/ Upper Mgmt/ SVP/EVP	VP, Directors, Mid Mgmt	Sales	Technical	All Salaried employees	Total responses
United States	50%	30%	9%	7%	4%	74
UK	46%	32%	10%	7%	5%	59
France	45%	32%	11%	8%	5%	65
Germany	41%	34%	13%	8%	5%	64
Canada	40%	36%	13%	7%	4%	55
Australia	36%	36%	13%	8%	7%	61
Japan	38%	32%	16%	8%	5%	37
Netherlands	40%	35%	12%	7%	7%	43
China	41%	30%	15%	9%	4%	46
Italy	38%	34%	13%	9%	6%	53
Belgium	40%	33%	14%	7%	7%	43
Spain	43%	34%	13%	6%	4%	47
Hong Kong	50%	31%	9%	6%	3%	32
Singapore	47%	38%	9%	3%	3%	34
Sweden	36%	33%	15%	10%	5%	39
Switzerland	40%	37%	9%	6%	9%	35
Brazil	39%	34%	13%	8%	5%	38
India	38%	35%	15%	8%	5%	40
Mexico	39%	37%	13%	8%	3%	38
Austria	41%	30%	14%	8%	8%	37
Malaysia	38%	38%	14%	7%	3%	29
South Korea	41%	29%	18%	6%	6%	17
Denmark	38%	38%	13%	4%	8%	24
Ireland	52%	30%	7%	4%	7%	27
Norway	39%	36%	14%	7%	4%	28
Taiwan	43%	39%	13%	4%	0%	23
Argentina	45%	35%	10%	5%	5%	20
Russia	44%	28%	16%	8%	4%	25
South Africa	46%	32%	14%	7%	0%	28
Philippines	45%	27%	14%	9%	5%	22
Thailand	50%	39%	11%	0%	0%	18
Finland	39%	35%	13%	4%	9%	23
UAE	40%	40%	15%	5%	0%	20
Saudi Arabia	42%	32%	16%	5%	5%	19
Venezuela	58%	33%	8%	0%	0%	12
Kazakhstan	47%	33%	7%	7%	7%	15
Kuwait	45%	27%	9%	9%	9%	11

I. General information

On a country specific basis, who participates in your market-based plans (as a percentage of all responses for each country)?

	Execs/ Upper Mgmt/ SVP/EVP	VP, Directors, Mid Mgmt	Sales	Technical	All Salaried employees	Total responses
United States	59%	29%	0%	6%	6%	17
France	60%	20%	10%	0%	10%	10
Canada	40%	30%	10%	10%	10%	10
Australia	50%	30%	10%	0%	10%	10
UK	67%	22%	0%	0%	11%	9
Germany	50%	25%	13%	0%	13%	8
China	43%	29%	14%	0%	14%	7
Spain	43%	14%	0%	14%	29%	7
Belgium	50%	17%	17%	0%	17%	6
Netherlands	40%	20%	0%	0%	40%	5
Sweden	40%	20%	0%	0%	40%	5
India	40%	20%	20%	0%	20%	5
Ireland	60%	20%	0%	0%	20%	5

Is there a post-vesting holding period that applies to shares/options that have vested before they can be exercised or received by the awardee?

	Options	RSU	RS	SAR	Phantom
Yes	15%	18%	54%	17%	33%
No	85%	82%	46%	83%	67%
Number of responses	65	33	13	12	6

If there is a holding period, what is the duration?

	2006
5 yr	4%
4 yr	4%
3 yr	12%
2 yr	23%
1 yr	27%
Other	31%
Number of responses	26

## What is the length of the option term?

	2006	
	Grants before 1/1/06	Grants after 1/1/06
>10 years	5%	4%
10 years	71%	64%
9 years	0%	1%
8 years	5%	4%
7 years	7%	11%
6 years	0%	0%
5 years	5%	8%
3-4 years	1%	2%
Other	5%	6%
Number of responses	114	114

## If you have recently redesigned your option plan, what are the reasons?

	2006
Changes made to address Accounting issues	22%
Changes made to address market trends	18%
Changes made to increase alignment of total compensation strategy with business strategy	15%
Changes made—Other	10%
Changes made to address tax issues	6%
Changes made to address Corporate Governance issues	4%
Changes made to increase international coordination/deployment of compensation strategy	3%
Changes made to address Employee Preference Analysis	3%
Changes made to address options that are out of the money	2%
No change since 1/1/05	17%
Number of respondents	125
Number of responses	209

## Does your ESPP qualify as a “safe harbor” plan (e.g., 5% discount, no lookback to establish the purchase price)?

	2006
Yes	14%
No	86%
Number of respondents	86

I. General information

What feature(s) of your ESPP, if any, have you changed since 1/1/06 or plan to change before 1/1/07?

	As of 1/1/06
Lookback	30%
Other	30%
Discount	25%
Purchase period	15%
Responses	20

If you discontinued your ESPP, what replaces it?

	2006
Eliminate - no replacement	63%
Performance based equity	25%
Non-performance based equity	13%
Responses	8

If you have an ESPP, what percentage best describes the participation level out of the eligible employee population, on a country basis?

	0%-10%	11% - 25%	25% - 50%	50% - 75%	75%+	Number of respondents
USA	19%	12%	33%	26%	10%	42
UK	30%	10%	38%	15%	8%	40
Canada	30%	9%	30%	18%	12%	33
Germany	27%	18%	27%	18%	9%	33
Netherlands	34%	13%	31%	9%	13%	32
France	40%	13%	13%	27%	7%	30
Singapore	31%	14%	17%	24%	14%	29
Switzerland	21%	21%	28%	21%	10%	29
Australia	36%	18%	21%	11%	14%	28
Italy	39%	7%	29%	7%	18%	28
Spain	36%	18%	25%	14%	7%	28
Belgium	33%	19%	19%	19%	11%	27
Japan	41%	11%	26%	4%	19%	27
Hong Kong	27%	12%	15%	19%	27%	26
Mexico	44%	16%	16%	12%	12%	25
Sweden	36%	16%	24%	8%	16%	25
Austria	42%	8%	25%	13%	13%	24
Denmark	35%	22%	22%	9%	13%	23
Taiwan	35%	9%	22%	17%	17%	23
Ireland	36%	18%	23%	9%	14%	22
Australia	57%	10%	10%	14%	10%	21
Brazil	48%	19%	19%	10%	5%	21
Malaysia	33%	10%	19%	19%	19%	21
So. Korea	33%	5%	24%	29%	10%	21
India	50%	0%	15%	15%	20%	20
Norway	40%	10%	25%	10%	15%	20
Finland	37%	11%	26%	11%	16%	19
So. Africa	56%	6%	22%	6%	11%	18
Philippines	56%	0%	25%	6%	13%	16
Thailand	31%	19%	19%	25%	6%	16
China	64%	0%	7%	0%	29%	14
USE	27%	9%	18%	27%	18%	11
Venezuela	55%	0%	9%	18%	18%	11
Saudi Arabia	30%	0%	30%	20%	20%	10
Russia	63%	13%	0%	13%	13%	8
Kuwait	50%	17%	0%	0%	33%	6
Kazakhstan	80%	0%	0%	0%	20%	5

## II. Accounting for equity/stock compensation plans

In what calendar year did your company begin to expense stock options in the financial statement?

	Original Filing	Restated Filing
2006	36%	5%
2005	36%	10%
2004	8%	55%
2003	8%	20%
2002	6%	5%
Other	4%	0%
Don't know	3%	5%
Number of respondents	115	20

Which financial model do you use for stock option valuation (where you have a choice)?

	2005	2006
Black Scholes	90%	62%
Lattice	6%	18%
Other/Don't know	5%	20%
Number of responses	105	125

What is your stock-based compensation expense as a percentage of revenue, on a global basis, for each of the last three calendar years?

	2004	2005	2006
0 - 2%	76%	78%	79%
2.01 - 5%	16%	13%	11%
5.01 - 7.5 %	0%	1%	3%
7.51 - 10%	8%	4%	2%
>10%	0%	3%	5%
Number of respondents	62	68	63
"Don't know" responses excluded	36	33	35

What is the impact of expensing on your stock option plan?

	2005	2006
No action	14%	42%
Switch to other plan	22%	28%
Reduce grant levels	17%	16%
Eliminate some/all plans	4%	2%
Don't know/explore alternatives	42%	11%
Number of responses	132	255

Have you changed or modified your equity plans based on institutional investor pressures (e.g., lawsuits, objections or low plan approval percentages)?

	2006
Yes	17%
No	79%
Don't know	3%
Number of respondents	115

What feedback have you obtained from your shareholders with respect to your current long-term incentive plans given the accounting changes?

	2005	2006
Generally positive feedback (shareholders are happy with current plans)	31%	44%
Generally negative feedback (shareholders are unhappy with current plans)	5%	3%
No feedback	33%	19%
Other	31%	25%
Don't know		9%
Number of respondents	106	32

## II. Accounting for equity/stock plans

If the feedback from shareholders has been negative, what do you think is the main reason shareholders are unhappy with your current plans?

	2005	2006
The plans are too generous	25%	27%
They have concerns about oversight of the plans	0%	27%
They want more predictability in budgeting expense from equity compensation	0%	9%
They want more control over who gets long-term incentives	0%	0%
They want more links to company performance	25%	0%
They want more restrictions for top executives' compensation	25%	0%
Dilution	13%	27%
Don't know		9%
Other	13%	0%
Number of respondents	8	11

Note: In the 2006 Survey, this question was not tied to the response provided in the prior question. Results above reflect that whereas only one company indicated shareholders are unhappy with plans, 11 companies provided detail regarding what specifically shareholders are unhappy with.

In the past three years, have you submitted your new stock plans or changes to the plans (e.g., asked for additional shares) for approval to your shareholders?

	2005	2006
Yes	67%	57%
No		39%
Don't know	33%	4%
Number of respondents	105	112

If yes, was the plan/the change approved by your shareholders?

	2005	2006
Yes	97%	97%
No		0%
Don't know	3%	3%
Number of respondents	12	60

What was the percentage of yes votes that your plan received?

	2006
91% or higher	47%
81-90%	33%
71-80%	10%
61-70%	10%
Number of respondents	30
"Don't know" responses excluded	30

What is your company's overhang in each of the past three calendar years?

	2004 (actual)	2005 (actual)	2006 (budgeted)
0 - 5%	27%	31%	32%
5.01 - 10%	14%	15%	14%
10.01 - 15%	17%	18%	19%
15.01 - 20%	10%	9%	5%
20.01 - 25%	4%	6%	5%
>25%	5%	3%	2%
Don't know	24%	19%	23%
Number of respondents	101	102	100

What is your company's equity compensation expense as a percentage of revenue in each of the past three calendar years?

	2004 (actual)	2005 (actual)	2006 (budgeted)
0 - 5%	56%	57%	55%
5.01 - 10%	5%	6%	3%
>10%	0%	0%	0%
Don't know	39%	37%	42%
Number of respondents	95	101	100

II. Accounting for equity/stock plans

What is your company's equity compensation expense as a percentage of net income, on a global basis, in each of the past three calendar years?

	2004 (actual)	2005 (actual)	2006 (budgeted)
0 - 5%	32%	35%	30%
5.01 - 10%	13%	13%	13%
10.01 - 15%	5%	6%	3%
15.01 - 20%	2%	2%	5%
20.01 - 25%	4%	2%	1%
>25%	4%	3%	2%
Don't know	39%	40%	46%
Number of respondents	97	101	100

What is your company's run rate in each of the past three calendar years?

	2004 (actual)	2005 (actual)	2006 (budgeted)
0 - 5%	56%	58%	54%
5.01 - 10%	6%	6%	5%
10.01 - 15%	0%	0%	0%
15.01 - 20%	1%	1%	1%
>20%	0%	0%	0%
Don't know	37%	35%	40%
Number of respondents	97	99	98

If you are subject to FAS 123R, which method for calculating the historic windfall pool of tax credits do you currently anticipate adopting by the end of FY06?

	2006
Long form	16%
Short-cut	11%
Don't know	74%
Number of responses	76

### III. Global aspects of equity/stock plans

Does your company source equity income in relation to awards provided to expatriates or cross-border employees?

	2006
Yes	37%
No	30%
Don't know	33%
Number of respondents	114

Has your company undertaken an analysis to determine which EU state is considered its "Home Member State" for purposes of the EU Prospectus Directive?

	2006
Yes	46%
No	28%
Don't know/does not apply	25%
Number of respondents	102

If 'yes,' which European Union state is your company's "Home Member State"?

	2006
UK	41%
France	16%
Belgium	10%
Germany	10%
Netherlands	8%
Denmark	4%
Luxembourg	4%
Does not apply/still analyzing	4%
Finland	2%
Ireland	2%
Number of respondents	51

### III. Global aspects of equity/stock plans

Have you modified your equity/stock-based compensation plan(s) in any way, specifically for grants in other countries? (e.g., vesting, eligibility, Term, tax-favored treatment, etc.)

	2006
Yes	41%
No	57%
Don't know	2%
Number of respondents	120

Do you adjust your local country equity/stock-based grant levels according to any of the following?

	2006
Market-based benchmarking	50%
Local labor laws	21%
Case-by-case basis	21%
Cost of living	8%

If you do adjust the grant levels, do you do it by :

	2006
Country	67%
Region	12%
Select cities	0%
Other	20%
Number of respondents	49

If you do adjust grant levels, what's the average discount (or premium) on those levels?

	Canada	Latin America & Mexico	Europe	Middle East	India Sub-continent	Africa	China	Asia	Japan	Russia	Australia & New Zealand	US (Premium)
0-9%	13%	5%	33%	18%	6%	0%	0%	9%	7%	0%	0%	33%
10-24%	63%	26%	28%	18%	6%	27%	16%	27%	33%	21%	58%	17%
25-50%	19%	58%	33%	55%	47%	64%	68%	59%	53%	71%	32%	17%
50%+	6%	11%	6%	9%	41%	9%	16%	5%	7%	7%	11%	33%
Respondents	16	19	18	11	17	11	19	22	15	14	19	6

Note: Respondents indicated that the company provides a discount to employees in all locations except the US, where a premium is provided.

## How satisfied with your current equity/stock plans are most employees?

	Headquarter country 2006	Foreign countries 2006
Very Satisfied	22%	15%
Satisfied	46%	43%
Somewhat Satisfied	18%	30%
Somewhat Dissatisfied	7%	5%
Dissatisfied	7%	7%
Very Dissatisfied	0%	0%
Number of respondents	116	116

## How long has your company offered equity/stock-based compensation plans to employees?

	Headquarter country 2006	Foreign countries 2006
1 year	1%	2%
2 years	2%	3%
3 years	1%	1%
4 years	3%	3%
5 years	5%	13%
>5 years	88%	76%
Don't know	1%	3%
Number of respondents	117	117

## What are the reasons for offering equity plan(s) to your international employees?

	2005	2006
To offer our employees the opportunity to become shareholders	33%	32%
To create a uniform global equity/stock compensation benefit for all executives	43%	33%
To match offers made by non-local competitors	10%	13%
To match offers made by domestic competitors	8%	15%
Other	6%	6%
Don't know	6%	1%
Number of responses	131	252

### III. Global aspects of equity/stock plans

Which five are the most influential decision-makers for your equity compensation plans?

	2005	2006
Compensation Committee/Board of Directors	34%	28%
CEO/Senior Management	19%	21%
CFO/Finance	11%	17%
HR/Employee Relations	20%	16%
Legal	5%	9%
Tax	4%	4%
Stock Plan Administrator	2%	3%
Treasury/Controller	4%	2%
Shareholder Services	1%	1%
Department Manager/Supervisor	0%	1%
Number of respondents	131	121
Number of responses	346	585

Are the benefits of global plans worth the costs?

	2005	2006
Yes	81%	75%
No	19%	25%
Number of respondents	92	110

What have been the most challenging aspects of offering global equity/stock plan?

	2006
Compliance	68%
Administration	67%
Communications	58%
Cross Country Coordination	41%
Grant amounts	28%
Cross Departmental Coordination	16%
Other	1%
Number of respondents	120

## IV. Tax planning and compliance for equity plans

Which of the following is the more important priority to your company?

	2005	2006
Tax efficiency/savings for both local employees and the company	67%	63%
Tax efficiency/savings for the company	11%	13%
Tax efficiency/savings for local employees	2%	6%
We have not considered tax efficiencies/savings	8%	10%
Don't know	11%	8%
Number of respondents	131	112

Countries most frequently cited where equity compensation costs are charged back to foreign subsidiary

	2006
UK	22%
US	21%
Germany	21%
Italy	19%
France	18%
Number of respondents	144

If you chargeback, which of the following best describes the costs that are charged back to the foreign locations?

	2005	2006
Spread/Discount/Value of shares	76%	63%
Filing and reporting fees	2%	8%
Consulting and advisory costs	4%	3%
Other	18%	13%
Don't know	18%	14%
Number of respondents	50	64

IV. Tax planning and compliance for equity plans

In countries where your company charges back the plan costs from the parent to the local subsidiary, does your company typically have a chargeback arrangement in place (i.e., chargeback agreement and local invoice)?

	2006
Yes	61%
No	14%
Don't know	25%
Number of respondents	56

Which of the following best describes your opinion of your plans' compliance level?

	2006 HQ Country	2006 Your Country	2006 Globally
Compliant	94%	79%	63%
Somewhat compliant	3%	7%	25%
Not compliant at all	0%	0%	1%
Don't know	4%	14%	10%
Number of respondents	114	42	115

In approximately what portion of the countries in which you have plans have you conducted a compliance review?

	2005	2006
All (100%)	33%	38%
Most (50% or more)	20%	25%
Some (Less than 50%)	15%	14%
None	4%	8%
Don't know	27%	14%
Number of respondents	117	118

How often does your company conduct internal compliance reviews of its equity/stock compensation plans?

	2005	2006
Upon Implementation of the Plans	12%	16%
Every 6 months or more frequently	12%	4%
Annually	31%	31%
Every 2 years	10%	8%
Other	11%	17%
Don't know	23%	24%
Number of respondents	118	116

## Countries most frequently cited as the most challenging in terms of tax compliance

	2006
France	31%
China	22%
UK	16%
US	16%
Belgium	15%
Number of respondents	116

In the past three years, has your company been audited by the tax authorities of any of the following countries in regards to your stock-based plans?

	2005	2006
UK	19%	20%
US	14%	14%
Netherlands	18%	12%
Japan	5%	7%
Argentina	N/A	7%
Canada	2%	5%
Germany	9%	3%
Belgium	7%	3%
France	5%	3%
Hong Kong	4%	3%
South Africa	4%	0%
Number of respondents	57	59
"Don't know" responses excluded	58	42

## V. Process and administration of global equity/stock-based compensation

The 2006 results in the area of Process and Administration suggest that the typical administrative arrangement is to outsource the data management and brokerage roles, most commonly to a dedicated full service brokerage firm. An alternative is to maintain the plan data in-house using commercially available plan administration software—presumably also with a dedicated full service brokerage firm handling the settlements.

The responsibilities of outsourced providers have changed considerably in recent years, with changes in accounting, tax and corporate governance related to equity compensation (such as FAS 123R, 409A and Sox 404 in the US) requiring an increased technical focus on maintaining the data and financial reporting. This has been a challenge for the administrators as the myriad of technical rules need to be incorporated into their administrative process and reports suites. The issuers ultimately must have trust in the data and be able to get the appropriate data elements from the administrator to fulfill their financial reporting needs.

Other survey results suggest that certain practices which in the past required a considerable time investment from the issuers, are now among the suite of services offered by the outsourced providers. These include direct access to participant's account information and plan information via the internet, assistance with tax withholding upon settlement, and distribution/acceptance of participant award agreements. Tracking of mobile employees remains a function not typically outsourced—likely due to the complexity and individuality of the mobile employee arrangement.

Where do you currently store your equity/stock-based compensation data?

	2006
With an outsourced plan administrator	47%
In-house using commercially available equity/stock plan software	25%
In-house using database application programmed in-house	14%
In-house using Enterprise Resource Planning (ERP) software (Oracle, PeopleSoft, SAP)	4%
In-house using spreadsheet software	3%
Other	6%
Don't know	1%
Number of respondents	118

Where do you currently store your equity/stock-based compensation data?

	2004	2005	2006
Outsource administration	41%	39%	51%
Administer in-house	59%	59%	49%
Number of respondents	68	131	110

How would you characterize your current primary service provider?

	2006
Financial Services – Full Service Brokerage	46%
Financial Services – Bank	15%
Financial Services – Discount Brokerage	9%
Third Party Recordkeeper	6%
Transfer Agent / Registrar	5%
Professional Services Firm	5%
Legal Services Firm	1%
Other	7%
Don't know	5%
Number of respondents	117

Which of the following would best describe your satisfaction level with your current stock plan administrator?

	2005	2006
Satisfied	87%	81%
Unsatisfied	13%	19%
Number of respondents	61	112

V. Process and administration of global equity/stock-based compensation

Which of the following would best describe your satisfaction level with your current stock plan administration software?

	2005	2006
Satisfied	83%	79%
Unsatisfied	17%	21%
Number of respondents	61	87

Which of the following best describes your company's brokerage arrangement?

	2006
Single dedicated broker	72%
Choice of two dedicated brokers	4%
Choice of multiple dedicated brokers	6%
Broker designated by employee	3%
Transactions are not handled on the open market	5%
Other	4%
Don't know	7%
Number of respondents	114

Does your stock plan administration software support your valuation and tax needs?

	Valuation	Tax
Yes—currently	43%	41%
Will do for Q1 2006	7%	8%
Will do for Q4 2006	14%	13%
Not sure when/if will do	36%	37%
Number of respondents	107	107

## How do you administer your stock plans for your mobile employees/expats?

	2006
Mobility data is tracked and reconciled outside current software	31%
We don't track employee mobility/expat exercise activity	20%
Third party administrator tracks	18%
Stock option software tracks historical mobility	16%
Other	12%
Don't know	3%
Number of respondents	114

## Which of the following best describes your employees' access to their plan records?

	2005	2006
Via the administrator's Internet site	56%	72%
Via the company intranet site	16%	12%
Via a paper statement mailed to employees (periodic)	17%	8%
Via a paper statement produced upon request	7%	8%
Don't know	3%	1%
Number of respondents	131	117

## In cases where taxes are required to be withheld upon exercise or share delivery, how are taxes collected?

	2005	2006
Taxes are netted from share proceeds by the broker	13%	53%
Through payroll	5%	19%
We allow employees to choose from above	51%	13%
Employee pays in cash or by personal check	2%	3%
Taxes are not currently collected	1%	1%
Other	4%	9%
Don't know	25%	3%
Number of respondents	130	116

V. Process and administration of global equity/stock-based compensation

If you grant restricted stock units, how do you handle tax withholding for employees based outside the US?

	2006
Apply individual tax rate based on income in payroll	26%
Assume a generic individual tax rate within each country based on local requirements	22%
Haven't set a process yet	21%
Do not withhold outside the US	11%
Other	10%
Recipients provide individual tax rate in award acceptance document	1%
Don't know	8%
Number of respondents	89

Which of the following best describes the process through which award agreements are delivered to employees with new awards?

	2005	2006
Mailed to employees' work address	2%	29%
Administrator's internet site	35%	26%
Mailed to employees' home address	5%	23%
Company's intranet site	28%	10%
Via email	14%	7%
No award agreements are distributed	5%	5%
Don't know	10%	0%
Number of respondents	130	113

Do you collect signatures from employees at grant?

	2005	2006
Must be signed and returned to corporate HR	14%	31%
Employee acknowledges receipt of award through electronic system hosted by administrator	6%	31%
Only in those countries that specifically require they are collected	n/a	11%
Must be signed and returned to local HR	7%	6%
Employee acknowledges receipt of award through electronic system hosted by Company	46%	6%
Informational only, no acceptance is required	27%	15%
Number of respondents	83	102
Number of 'other' and 'don't know' responses excluded	45	13

## VI. Employee communications

The diversity of equity compensation plan design in the wake of IFRS 2 and FAS 123R may be contributing to a lack of clear trends in how equity plans get communicated, at least for the time being. However, the introduction of new plan types and design complexities is increasing the overall need for timely, effective communication.

While survey respondents indicate that their use of electronic distribution channels (like email and company intranets) to disseminate plan communication is on the rise, which is consistent with general employee communication trends, it is not at all clear that employers believe online communication is the most effective means for building employee understanding.

When specifically asked to identify the most effective means of building employee understanding of their plans, nearly half of all respondents (47%) indicated a preference for some type of face-to-face, employee-presentation or instructional approach to delivery, up from just 26% last year. Another 32% supported the use of detailed written materials (up from 25% last year), and they were equally divided about whether that detail should be delivered on paper or online. High-level announcements from senior management, while still an important part of equity communication efforts, are viewed as somewhat less effective at building employee understanding in this environment.

All of this may suggest that employers are rediscovering the need for a more thorough approach to communication as plan designs advance beyond “plain vanilla” options and new design complexities are introduced.

Despite the apparent need for timely, effective communication of equity compensation to build meaningful employee understanding, plan sponsors are doubtful that employees have sufficient understanding of their equity plans to fully realize those benefits. This result is particularly apparent in feedback regarding international and geographically-dispersed employees. Survey findings indicate that the main communications-related concerns are that (1) the communication is insufficient for employees to either understand the plan or effectively manage their own participation and (2) employees do not know who to contact with questions. The majority of respondents admit that they rely on employees to initiate feedback about their plans and that they don’t affirmatively seek it out. Finally, more respondents than ever report not translating plan documents/communications into local languages, and more of those who do translate report only doing the minimum required by law.

How do you communicate your equity plans to employees?

	2006
Combination of methods	42%
With total rewards package—Annually	30%
Other	12%
When Board approves	8%
With total rewards package—Ad hoc	7%
Don't know	1%
Don't communicate	2%
Number of respondents	118

Do you communicate plans to employees in all demographic groups and locations at one time rather than at different times?

	2006
Yes, same time, same details	54%
Yes, same time, different details	18%
No, different times	16%
Other	9%
Don't know	3%
Number of respondents	116

Did you change how you communicate your plans to ensure there is no effective delay between the Board's Approval of the plans and when employees reach an understanding of those plans?

	2006
Yes	28%
No	65%
Don't communicate plans	5%
Don't know	2%
Number of respondents	114

What changes have you made in your employee communications to *better coincide with Board approval*?

	2006		
	New	Continuing	Discontinued
Communicate plan via intranet/internet	18%	20%	0%
Communicate plan via email	29%	18%	12%
Require employee acknowledgement of Award agreement via intranet/internet	13%	12%	0%
Require employee acknowledgement of Award Agreement via email	1%	4%	12%
Hold in-country group meetings with employees	5%	6%	12%
Hold in-country individual employee-supervisor meetings	9%	11%	12%
Hold webcast	4%	3%	0%
Distribute printed materials	21%	28%	53%
Number of responses	78	112	17

What changes have you made in your employee communications to *encourage employee understanding* of the plans?

	2006		
	New	Continuing	Discontinued
Communicate plan via intranet/internet	28%	28%	0%
Communicate plan via email	17%	19%	5%
Hold in-country group meetings with employees	15%	10%	10%
Hold in-country individual employee-supervisor meetings	10%	11%	19%
Hold webcast	11%	6%	5%
Distribute printed materials	19%	26%	62%
Number of responses	151	219	21

Do you translate plan documents in local languages?

	2005	2006
Yes, all documents	11%	7%
More than required by law	8%	9%
Some, primarily those required by law	35%	39%
We do not translate plan documents	33%	40%
Don't know	8%	5%
Number of respondents	132	113

VI. Employee communication

Select the FIVE techniques you consider are the most effective in building employee understanding of your company's global equity plan(s)

	2005	2006
Printed materials (brochures/flyers/newsletters)	11%	16%
Intranet/Internet	14%	16%
In-country HR meeting/group meeting	14%	15%
Help-line to a live person (in company)	2%	12%
Individual employee-supervisor meeting	8%	11%
Letter from senior management	23%	10%
Email	17%	10%
Corporate video/webcast	1%	5%
Service provider presentation	1%	4%
Don't know	5%	1%
Number of responses	132	516

How satisfied are you that employees know what benefit is available to them through your equity plans?

	2006
Very satisfied	7%
Satisfied	37%
Somewhat satisfied	36%
Somewhat unsatisfied	12%
Unsatisfied	7%
Very unsatisfied	1%
Number of respondents	118

How fully do you think employees understand the mechanics of what they need to do to reap that benefit of your equity plans for themselves?

	2006
Very satisfied	2%
Satisfied	29%
Somewhat satisfied	47%
Somewhat unsatisfied	17%
Unsatisfied	3%
Very unsatisfied	3%
Number of respondents	115

Internationally, how frequently do you gather feedback from employees regarding their equity plans?

	2006
Annually	9%
Ad hoc	37%
When employees initiate	47%
Don't know	7%
Number of respondents	116

Internationally, what kind of feedback do you get most often?

	2006
Extent to which employees know who to call with questions	23%
Extent to which communications are sufficient for employee understanding	20%
Extent to which employees are able to manage their participation effectively	16%
Extent to which communications are understood as written	11%
Value employees attribute to each plan	11%
Other	4%
Don't know	14%
Number of responses	166

Regionally, how frequently do you gather feedback from employees regarding their equity plans?

	2006
Annually	9%
Ad hoc	30%
When employees initiate	52%
Don't know	9%
Number of respondents	115

Regionally, what kind of feedback do you get most often?

	2006
Extent to which employees know who to call with questions	20%
Extent to which employees are able to manage their participation effectively	18%
Extent to which communications are sufficient for employee understanding	17%
Value employees attribute to each plan	14%
Extent to which communications are understood as written	9%
Other	4%
Don't know	16%
Number of responses	164

By country, how frequently do you gather feedback from employees regarding their equity plans?

	2006
Annually	9%
Ad hoc	22%
When employees initiate	57%
Don't know	10%
Number of respondents	114

By country, what kind of feedback do you get most often?

	2006
Extent to which employees know who to call with questions	24%
Extent to which communications are sufficient for employee understanding	17%
Extent to which employees are able to manage their participation effectively	16%
Value employees attribute to each plan	13%
Extent to which communications are understood as written	10%
Other	3%
Don't know	16%
Number of responses	164

## VII. Country-specific data

### Australia

In 2006, executive pay continued to increase as many companies insisted on paying at or above the median. When companies paid above the median, it was usually due to increased incentive opportunity rather than increased fixed pay. Australian companies have spent recent years adjusting their remuneration strategies to ensure they met regulatory and “best practice” standards. Remuneration Committees have now moved beyond a narrow focus on compliance also to structure remuneration strategies that reward superior company performance. Stakeholders are focusing less on equity instrument type or hurdle type and more on hurdle rigour and its correlation to shareholder return.

The two key regulatory changes in 2006 were the adoption of AASB 2 under IFRS (expensing of share-based payments) and the amendment of AASB 124, which now contains specific and detailed disclosures regarding executive pay in a company’s annual report. While the AASB 124 amendment impacted significantly on disclosure, the adoption of IFRS has broader strategic implications for remuneration policy with many companies reviewing the profit-and-loss impact of issuing equity and restricting the allocation of Options to senior employees.

For incentive plans with a long-term outlook (e.g., 3-5 years), performance hurdles adopted by companies in 2006 have not changed significantly since 2005, with total shareholder return (TSR) being the most favoured hurdle for companies listed in the Australian Securities Exchange. However, there has been a slight shift towards the use of combined hurdles for vesting (e.g. TSR and EPS). Furthermore, as reflected in the survey results and the Australian market more generally, the frequency of Performance Rights (zero-priced Options) continues to rise, and a mix of Rights and Options is also expected to increase.

Which type of employee equity/stock-based compensation plan does your company provide to its Australian employees?

	2005	2006
Option and Rights plans	30%	58%
Phantom Stock/Units or SARs	5%	11%
Tax deferred share plan – incentive pay	5%	6%
Tax deferred share plan – sacrifice of base pay	5%	5%
Tax exempt share plan	5%	4%
Loan-funded share plan	2%	2%
Don't know	56%	14%
Number of respondents	61	77

## Australia

How often is participation in the Options and/or Rights Plan offered?

	2005	2006
Annually	74%	65%
On an ad hoc or discretionary basis	21%	16%
Six monthly or less	n/a	1%
Don't know	5%	18%
Number of respondents	19	68

What types of pay is the Options and or Rights Plan used for?

	2005	2006
Long-term (3-5 year) incentives and bonuses	74%	67%
Combination of short- and long-term incentives and bonuses	5%	9%
Other types (e.g. salary sacrifice)	5%	3%
Short-term or annual incentives and bonuses	11%	2%
Don't know	5%	20%
Number of respondents	19	66

How are your performance hurdles structured?

	2005	2006
Cascading hurdles (pro-rata delivery based on minimum and stretch targets)	18%	21%
Combination of cliff and cascading	6%	13%
Cliff hurdles (either hit or miss target)	35%	5%
Other	35%	16%
Don't know	6%	45%
Number of respondents	17	38

Are the options or rights under the Options/Rights Plan subject to vesting conditions, in addition to performance conditions?

	2005	2006
Yes	67%	68%
No	22%	16%
Don't know	11%	16%
Number of respondents	18	62

## If so, what sort of vesting conditions apply?

If so, what sort of vesting conditions apply?	2005	2006
Continued employment for 5 or more years	0%	0%
Continued employment for 4-5 years	21%	11%
Continued employment for 3-4 years	14%	38%
Continued employment for 2-3 years	29%	4%
Continued employment for 1-2 years	0%	4%
Continued employment for 1 year or less	0%	0%
Some other vesting condition	21%	42%
Don't know	14%	0%
Number of respondents	14	45

## Are the shares acquired on exercise of the options or rights subject to a disposal/holding restriction?

	2005	2006
Yes	16%	3%
No	79%	89%
Don't know	5%	8%
Number of respondents	19	66

## Which of the following issues have you considered in relation to this Plan?

	2005	2006
Tax deductibility for discount element of securities	10%	13%
Accounting and valuation under AASB2, IFRS 2	15%	10%
Disclosure under CLERP 9 and AASB 1046	5%	5%
Consistency with ASX Principle 9	5%	5%
Don't know	65%	67%
Number of responses	20	60

## Australia

Do you offer options (option with an exercise price) or rights (options with no exercise price or simply a right to receive shares) under the Options and or Rights Plan?

	2005	2006
Options only	63%	54%
Combination of options and rights	21%	25%
Rights only	16%	12%
Don't know	0%	9%
Number of respondents	19	65

In relation to options, how do you work out the exercise price of the options?

	2005	2006
At market value at the time of grant	100%	92%
Exercise price above market value at time of grant	0%	7%
At a discount to market value at the time of grant	0%	0%
Don't know	0%	2%
Number of respondents	12	60

How do you work out the size of *option* allocations to make?

	2005	2006
Pricing model (e.g. Black-Scholes)	15%	30%
Grant value as a %of salary or bonus	31%	27%
Present or expected value of projected gain	8%	7%
Other	46%	32%
Don't know	0%	5%
Number of respondents	12	60

Has your company analyzed the imposition of payroll tax on equity plan awards in certain territories?

	2006
Yes	39%
No	34%
Don't know	27%
Number of respondents	64

If yes, has this requirement caused your company to reduce or modify awards to Australian employees?

	2006
Yes	8%
No	92%
Number of respondents	25

## Belgium

In your opinion, does the taxation of stock options at grant reduce the success of stock option plans in Belgium?

	2006
Yes	67%
No	20%
Don't know	13%
Number of respondents	55

Are the shares acquired on exercise of the options or rights subject to a disposal/holding restriction?

	2006
Yes	51%
No	45%
Don't know	4%
Number of respondents	55

Since early 2003, Belgian tax law does not forbid the employee from electing for a taxation of stock options either at grant or at exercise. Have you designed your stock option plan so as to authorize such election in Belgium?

	2006
Yes	60%
No	35%
Don't know	5%
Number of respondents	55

If you answered "no" to the previous question, why does your organization not authorize such election?

	2006
Taxation at exercise is unfavorable	26%
Minimize administration	9%
Other	48%
Don't know	17%
Number of respondents	23

## Other in previous table

	2006
Legal interpretation unclear/internal counsel advise not to	60%
Global standard	20%
High Social security costs when taxed at exercise	20%
Number of respondents	5

## Canada

The 2006 Survey reveals that Canadian employers are changing their equity compensation plans: almost 80% of Canadian employers reported changing their plans since January 1, 2005, compared to 70% for all survey respondents. Similar to respondents in other countries, changes are being driven by accounting issues, market trends, and a desire to increase alignment of the compensation strategy to corporate strategy.

Surprisingly, less than 10% of respondents reported having a tax-favored plan in Canada. Most stock option plans can qualify for tax-favored treatment in Canada, resulting in reduced tax rates for the employee, and possibly deferred taxation. The low percentage companies that take advantage of this opportunity could be the result of companies moving away from stock options and toward other stock based-incentives that do not qualify for favorable treatment (for example, restricted stock). Or the Survey may reflect a lack of knowledge of Canadian taxation of their plans. The latter seems likely, as evidenced by the fact that almost 60% of respondents did not know whether their plans qualify for the favorable treatment and over 50% of respondents did not know whether they were using the “hardship” exemption from withholding.

Do you currently, or are you planning to offer participants a choice between settlement in shares or cash for your equity/stock-based compensation plan?

	2005	2006
Yes, we currently offer choice of cash or shares	39%	28%
No, we do not offer or plan to offer choice	51%	63%
No, but we are planning to offer choice	3%	3%
Don't know	7%	6%
Number of respondents	72	67

From a local federal income tax withholding perspective, do you currently use the federal “hardship” exemption rule for local payroll purposes?

	2005	2006
Yes	6%	5%
No	42%	39%
Don't know	53%	56%
Number of respondents	72	66

Approximately how many of your company's Canadian employees submit a written election to defer taxation of stock options from exercise to sale?

	2006
0-5%	27%
5-10%	0%
10-15%	3%
15%+	2%
Don't know	68%
Number of respondents	66

Does your company inform Canadian optionees of the availability of an election to defer income tax from exercise to sale?

	2006
Yes	28%
No	35%
Don't know	37%
Number of respondents	65

Do your company's shares meet "prescribed share" requirements?

	2006
Yes	24%
No	17%
Don't know	59%
Number of respondents	66

## Central and Eastern Europe and Commonwealth of Independent States

Equity plans continue to be rolled out to an ever larger number of executives and employees of international companies operating in Central and Eastern Europe and the Commonwealth of Independent States (CIS, former Soviet Republics). The rules on income recognition and taxation vary from country to country, and issues of double taxation still arise in certain countries for mobile employees. In Ukraine, for example, restrictions on nationals owning foreign stock practically prevent grants from equity-settled plans to employees in that country. Alternative cash-settled plans can provide the same incentive effect as well as a favorable tax treatment in certain countries.

Of respondents with employees in Russia, 83% report making changes to their equity plans in the last year: 18% have done so to reflect market trends. This is an understandable result, given the tight labor market in Russia at present and the increasing tendency of Russian companies to introduce long term incentives. Most international companies provide one rather than several plans in Russia. Stock options remain the most prevalent, being provided by 45% of the companies surveyed that had employees in Russia.

Indicate your company's industry cluster.

	2006
Technology, InfoComm, Media & Entertainment	32%
Consumer Industrial Products & Services	58%
Financial Services	10%
Number of respondents	76

Indicate the country where your parent company's headquarters are located.

	2006
US	60%
Switzerland	12%
UK	5%
France	3%
Bermuda	3%
Canada	1%
Denmark	4%
Netherlands	5%
Australia	3%
Belgium	1%
Finland	1%
India	0%
Japan	0%
Singapore	1%
Number of respondents	75

Indicate which of the following types of equity/stock-based compensation programs you currently offer (as a % of companies with employees in Russia).

	2006	
	Employees in US	Employees in Russia
Options (Service)	65%	45%
ESPP	38%	17%
RS/RSU (Service)	54%	30%
Other (Performance, SARs, Phantom, etc)	64%	25%
Number of respondents	143	76

Indicate which of the following types of equity/stock-based compensation programs you currently offer (as a % of companies with employees in Russia).

	2006	
	Employees in US	Employees in Russia
Options (Service & PM)	80%	46%
RSU (Service & PM)	55%	36%
ESPP	38%	17%
RS (Service & PM)	32%	8%
SAR (Service & PM, Stock- & Cash-settled)	13%	5%
Number of respondents	143	76

Which employee groups in Russia participate in each type of equity compensation?

	Execs/Upper Mgmt/ SVP/EVP	VP, Directors, Mid Mgmt	Sales	Technical	All Salaried employees
Service	27%	25%	13%	13%	22%
Performance	44%	28%	16%	8%	4%

## Central and Eastern Europe and Commonwealth of Independent States

What is the length of the option term (companies with employees in Russia only)?

	2006	
	Grants before 1/1/06	Grants after 1/1/06
>10 years	5%	4%
10 years	75%	68%
9 years	0%	2%
8 years	5%	5%
7 years	7%	7%
6 years	0%	0%
5 years	5%	7%
3-4 years	0%	0%
Other	3%	7%
Number of respondents	59	57

If you have recently redesigned your option plan, what are the reasons?

	2006
Changes made - to address Accounting issues	22%
Changes made - to address market trends	18%
Changes made - to increase alignment of total compensation strategy with business strategy	15%
Changes made - Other	10%
Changes made - to address tax issues	6%
Changes made - to address Corporate Governance issues	4%
Changes made - to increase international coordination/deployment of compensation strategy	3%
Changes made - to address Employee Preference Analysis	3%
Changes made - to address options that are out of the money	2%
No change since 1/1/05	17%

If you have an ESPP, which percentage below best describes the participation level out of the eligible employee population?

	Companies with employees in the US	Companies with employees in Russia
0%-10%	19%	67%
11% - 25%	12%	17%
25% - 50%	33%	0%
50% - 75%	26%	17%
75%+	10%	0%
Number of respondents	42	6

## What is the impact of expensing on your stock option plan?

	2006	
	All companies	Employees in Russia
No Action	42%	40%
Switch to other plan	28%	25%
Reduce grant levels	16%	22%
Eliminate some/all plans	2%	1%
Don't know/explore alternatives	11%	12%
Number of respondents	121	158

## If you are replacing your option plan, what are you replacing it with?

	2006	
	All companies	Employees in Russia
Other nonequity benefit	13%	5%
Service-based SARs	7%	13%
Performance-based equity plans	33%	40%
Service-based RS/RSUs	40%	43%
Number of respondents	56	40

## If grants were cut as a result of expense, indicate which staff levels experienced reductions.

	All Companies		Companies with employees in Russia	
	Before 1/1/06	After 1/1/06	Before 1/1/06	After 1/1/06
All Staff	19%	19%	13%	17%
Sr Management	12%	10%	8%	13%
All Managers	12%	5%	26%	21%
Other	11%	11%	21%	13%
Technical	11%	10%	13%	13%
Sales	11%	10%	13%	13%
Don't know	5%	19%	5%	13%
Number of respondents	125	125	38	24

## Central and Eastern Europe and Commonwealth of Independent States

If you replaced a stock option plan with a non-equity plan, what replaces it? (Companies with employees in Russia)

	2006
Long term cash incentive	10%
Other cash based award	10%
Short term cash incentive	20%
Deferred compensation	20%
Long-service awards	10%
Defined contribution retirement plan	0%
Don't know	30%
Number of respondents	10

What is your company's overhang in each of the past three calendar years?

	All Companies			Companies with Employees in Russia		
	2006 (budgeted)	2005 (actual)	2004 (actual)	2006 (budgeted)	2005 (actual)	2004 (actual)
0 - 5%	32%	31%	27%	35%	36%	33%
5.01 - 10%	14%	15%	14%	13%	15%	16%
10.01 - 15%	19%	18%	17%	19%	15%	15%
15.01 - 20%	5%	9%	10%	7%	9%	9%
20.01 - 25%	5%	6%	4%	4%	5%	4%
>25%	2%	3%	5%	0%	2%	4%
Don't know	23%	19%	24%	22%	18%	20%
Number of respondents	100	102	101	54	55	55

What is your company's equity compensation expense as a % of revenue in each of the past three calendar years?

	All Companies			Companies with Employees in Russia		
	2006 (budgeted)	2005 (actual)	2004 (actual)	2006 (budgeted)	2005 (actual)	2004 (actual)
0 - 5%	55%	57%	56%	64%	66%	66%
5.01 - 10%	3%	6%	5%	3%	5%	5%
>10%	0%	0%	0%	0%	0%	0%
Don't know	42%	37%	39%	33%	29%	29%
Number of respondents	100	101	95	58	58	56

If you do adjust the grant levels, do you do it by: (All companies)

	2006
Country	67%
Region	12%
By select cities	0%
Other	20%
Number of respondents	49

What is your company's equity compensation expense as a % of net income, on a global basis, in each of the past three calendar years?

	All Companies			Companies with Employees in Russia		
	2006 (budgeted)	2005 (actual)	2004 (actual)	2006 (budgeted)	2005 (actual)	2004 (actual)
0 - 5%	30%	35%	32%	38%	41%	38%
5.01 - 10%	13%	13%	13%	16%	17%	20%
10.01 - 15%	3%	6%	5%	2%	3%	0%
15.01 - 20%	5%	2%	2%	5%	3%	4%
20.01 - 25%	1%	2%	4%	2%	2%	7%
>25%	2%	3%	4%	3%	3%	4%
Don't know	46%	40%	39%	34%	29%	29%
Number of respondents	100	101	97	58	58	56

Do you adjust your local country equity/stock-based grant levels according to any of the following (all companies)?

	2006
Market based benchmarking	50%
Local Labor law	21%
Case-by-case basis	21%
Cost of living	8%
Number of respondents	49

If you do adjust grant levels, what's the average discount (or premium) on those levels relative to grants made in the HQ country (all companies)?

	Canada	Latin America & Mexico	Europe	Middle East	India Sub-continent	Africa	China	Asia	Japan	Russia	Australia & New Zealand	US (Premium)
0-9%	13%	5%	33%	18%	6%	0%	0%	9%	7%	0%	0%	33%
10 - 24%	63%	26%	28%	18%	6%	27%	16%	27%	33%	21%	58%	17%
25 - 50%	19%	58%	33%	55%	47%	64%	68%	59%	53%	71%	32%	17%
> 50%	6%	11%	6%	9%	41%	9%	16%	5%	7%	7%	11%	33%
Respondents	16	19	18	11	17	11	19	22	15	14	19	6

## China

Has your company complied with the required submission of stock option plan plus other relevant documents to the in-charge local tax bureau for its reference?

	2006
Yes	52%
No	15%
Don't know	33%
Number of respondents	52

Where are shares granted to PRC nationals held?

	2006
US	32%
PRC	11%
Hong Kong	2%
Other	38%
Don't know	18%
Number of respondents	56

Other in previous table

	2006
No shares delivered/held	59%
Switzerland	18%
France	6%
Singapore	6%
Netherlands	6%
New Jersey	6%
Number of respondents	17

Has your company implemented a mandatory Cashless Exercise under the stock option plan?

	2005	2006
Yes	59%	67%
No	41%	33%
Number of respondents	51	48
"Don't know" responses excluded	7	9

Does the broker send all proceeds to the home/headquarter country parent?

	2005	2006
Yes	46%	21%
No	37%	58%
Don't know	18%	21%
Number of respondents	57	57

Do you offer Stock Purchase Plan/ESPP to your employees in China who are local nationals?

	2005	2006
Yes	15%	6%
No	79%	82%
Don't know	6%	12%
Number of respondents	48	34

## France

Results from the 2006 Global Equity Incentives Survey shows a ramp-up of the trend in France of companies, switching from stock option plans to Restricted Stock Units programs. Since 2005, the grant of shares on a free basis to French resident employees and directors gives rise to preferential tax and social charges treatment if certain conditions are met. Inbound, French subsidiaries of foreign groups adopt subplans to convert their US-type Restricted Stock Units programs into qualified free share award plans. Outbound, French multinational companies have started to extend the awards on an international basis, using cash or share-settled plans, depending on the local regulations. In terms of plan design, most companies use service-based plans to serve HR retention goals on a mid-term perspective. However, for financial reasons, certain plans are structured without vesting conditions in order to keep the accounting charge during the year of grant.

### Do you have a qualified plan/sub-plan for your stock options?

	2005	2006
Yes	56%	68%
No	44%	32%
Number of respondents	76	80
"Don't know" responses excluded	12	6

### If you do not have a qualified plan/sub-plan for your stock options, why not?

	2005	2006
Administratively too burdensome	24%	30%
Too restrictive	3%	11%
Other	19%	22%
Don't know	54%	37%
Number of respondents	26	27

### Other in previous table

	2006
Too few employees	60%
Global standard	20%
Haven't considered tax qualified plans	20%
Number of respondents	5

## Does your company offer a Plan d'Epargne d'Entreprise (PEE)?

	2005	2006
Yes	13%	28%
No	87%	72%
Number of respondents	45	47
"Don't know" responses excluded	29	25

## How is the matching contribution computed?

	2005	2006
As a percentage of the employee's contribution	75%	40%
Combination of employee contribution & fixed amount	0%	30%
Other	25%	30%
Number of respondents	4	10
"Don't know" responses excluded	4	28

## For your Qualified Stock Option Plan, have you imposed a restriction on transfer to ensure that the four-year holding period is met?

	2005	2006
Yes	42%	64%
No	30%	38%
Don't know	28%	23%
Number of respondents	50	59

## How do you enforce the restriction on transfers?

	2005	2006
Vesting restrictions	30%	33%
Exercisability restrictions	30%	28%
Hold shares in escrow	4%	13%
Do nothing	n/a	5%
Other	13%	13%
Don't know	22%	8%
Number of respondents	23	39

## France

Which of the following best describes the price at which your qualified stock options are granted?

	2005	2006
Average of the high and low stock price on grant date	38%	37%
100% of the "20 Day Average" stock price at grant	n/a	10%
More than the fair market value at grant	2%	7%
Between 95% and 100% of the "20 Day Average" stock price at grant	11%	5%
Between 80% and 95% of the "20 Day Average" stock price at grant	4%	2%
Other	32%	34%
Don't know	13%	5%
Number of respondents	47	59

Do you have a qualified plan/sub-plan for your free shares awards?

	2006
Yes	20%
No	64%
Don't know	17%
Number of respondents	66

Which of the following best describes the reason why you do not have a qualified plan/sub-plan for your free shares awards?

	2006
Administratively too burdensome	25%
Too restrictive	6%
Other	23%
Don't know	46%
Number of respondents	48

Other in previous table

	2006
Haven't considered this type of award	56%
Global standard	33%
No authorization from shareholders	11%
Number of respondents	5

Have you imposed a restriction on transfer of the shares to ensure that the minimum 2-year blocking period post vesting is met?

	2006
Yes	29%
No	49%
Don't know	22%
Number of respondents	41

How do you enforce the restriction on transfers?

	2006
Hold shares in escrow	10%
Do nothing	35%
Other	25%
Don't know	29%
Number of respondents	48

Other in previous table

	2006
Enforce through broker	43%
Shares blocked through Stock Plan Admin system	43%
Vesting	14%
Number of respondents	12

## Germany

If your equity awards qualify for the “lesser of euros 135 or 50% of the benefit” tax exemption, do you facilitate this exemption through reduced withholding?

	2006
Yes	14%
No	24%
Don't know	61%
Number of respondents	49

## India

With India surging at a Gross Domestic Product growth rate of 8% and experiencing unprecedented growth in sectors like Information Technology, Financial Services, Telecom and the Off-shoring space, the search for the best and the brightest talent is becoming a constant, costly battle for corporations. With a limited pool of managerial talent and the demand far outstripping the supply, people have the opportunity to change jobs often. In this kind of environment, companies are challenged to be creative not only with their hiring practices but also to retain their best people. In the last 6 months or so, we have found that our clients are applying heightened consideration to long term rewards in light of the perceived shortage of talent and increasing cost of the workforce.

As seen in overall 2006 Survey results, companies with employees in India have begun to use variable pay far more effectively, increasing the proportion of variable pay in total employment costs and using it as a strategic tool to increase performance standards. This is particularly true for senior and top management. Since a lot of foreign companies operating in India offer equity plans based on those of the parent company, we see over half of Survey respondents with employees in India either reducing options or changing plan designs as a result of the requirement to recognize an expense for equity compensation.

In 2001, a new rule under the Indian Income Tax Act provided that employees could defer the tax liability associated with stock options until the time of sale rather than the time of exercise, provided the stock option plan of the company is 'qualified'. This rule meant that the benefit that the companies could offer to employees through their stock option plan increased by way of tax saving for the employee. Companies with extensive stock option grants to employees in India are more likely to go through the process of getting their plans qualified as the corresponding benefit impact for their employees will be higher.

Have you had your plans reviewed to determine whether taxation can be deferred until the time of sale?

	2005	2006			
	(All vehicles)	Options	ESPP	RS	RSU
Yes	34%	36%	28%	24%	34%
No	40%	36%	28%	32%	34%
Don't know	26%	29%	44%	44%	31%
Number of respondents	47	55			

## India

Has the Plan, along with other documentation, been filed with the tax authorities in India for beneficial tax treatment?

	2006
Yes	24%
No	41%
Don't know	35%
Number of respondents	46

If the answer above was yes, is the response affirmative or negative?

	2006
Affirmative	100%
Negative	0%
Number of respondents	8

## Ireland

The reality is that trends in Ireland are hugely influenced by what is happening internationally—a move toward restricted stock plans and deferred compensation arrangements—so US/UK trends are likely to be replicated in Ireland, albeit at a slower pace.

Participants in Irish Revenue Approved Share Schemes can qualify for an income tax advantage, provided certain conditions are satisfied. In general, to qualify for the income tax advantage, the Scheme must provide for participation by all employees on similar terms. This has limited the implementation of Revenue Approved Schemes in Ireland, in particular, the Approved Share Option Scheme. There is an expectation that there will be a renewed interest by companies in the implementation of Revenue Approved SAYE Schemes in mid to late 2007, after the Irish Government's Special Savings Incentive Accounts (SSIA) incentive matures.

### Does your organization operate a SAYE Scheme for employees?

	2006
Yes	12%
No	67%
Don't know	21%
Number of respondents	42

### If yes, are all employees eligible for participation?

	2006
Yes	83%
No	0%
Don't know	17%
Number of respondents	6

### If yes, is the SAYE Scheme Revenue approved?

	2006
Yes	43%
No	14%
Don't know	43%
Number of respondents	7

## Ireland

Does your organization operate a Profit Sharing Scheme for employees?

	2006
Yes	7%
No	62%
Don't know	31%
Number of respondents	42

If yes, are all employees eligible for participation?

	2006
Yes	50%
No	33%
Don't know	17%
Number of respondents	6

Does your organization operate an Approved Share Option Scheme (ASOS)?

	2006
Yes	17%
No	50%
Don't know	33%
Number of respondents	6

## Italy

If your company's equity awards qualify for the local EUR 2,065.83 exemption, does your company track employee compliance with the three-year holding period?

	2006
Yes	30%
No	67%
Don't know	2%
Number of respondents	43

If yes, how does your company track compliance?

	2006
Coordinate with broker to track	42%
Require employee to notify employer of an early disposition	25%
Impose a sale restriction	17%
Other	17%
Number of respondents	12

If the employee disposes of the shares prior to meeting the three-year holding period, does your company withhold and remit income and social tax on the previously exempt amount?

	2006
Yes	45%
No	55%
Number of respondents	31

## Japan

Is your equity/stock compensation plan deemed to be a “local” plan or an “offshore” plan by local tax standards?

	2005	2006
Local	8%	5%
Offshore	40%	43%
Don't know	52%	52%
Number of respondents	63	58

## The Netherlands

For the Netherlands the results of the 2006 Global Equity Incentive Survey largely follow the general results of the Survey with respect of the changing face of the design of equity incentive plans.

Since 2005, various developments in the Netherlands—such as regulatory changes, the introduction of new accounting rules and the increasing influence of private equity compensation practices on the quoted sector—have had an impact on the design of equity incentive plans. But also, changes to such plans have been made to address market trends or to increase the alignment of total compensation strategy with the company's business strategy.

As regards performance criteria, the Netherlands follows the trend and the most common performance criteria for long term incentives remain EPS and rTSR. However, whether such criteria, in fact, fulfill the company's objectives of value creation and alignment of shareholders interests is questionable. Setting appropriate and sufficiently challenging performance goals within total rewards programs is an ongoing focus among companies with employees in the Netherlands.

Given the complexity of performance-based equity compensation plans, it can be challenging to communicate the expected benefits to executives. In order to increase the motivational and retention elements of these plans, financial modeling of the various pay-out scenarios can be an important aspect of communicating performance-based equity compensation plans. Furthermore, financial modeling can help stakeholders to, inter alia, understand how the incentive arrangements serve to underpin the company's strategy and long term value creation.

We further expect that the abolition of the corporate income tax deduction for options and other share based incentive arrangements as from January 1, 2007 will have a significant impact on the future design of incentive arrangements in the Netherlands.

The Dutch Corporate Governance Code (Tabaksblat Code) contains various principles and best practice provisions with respect to management board remuneration and remuneration policy. To what extent do you apply the principles and best practice provisions regarding management board remuneration of the Tabaksblat Code?

	2006
We apply all the provisions	2%
We apply most of the provisions, but explain the reason why we do not apply the other provisions	3%
We apply most of the provisions, without explaining why we do not apply the other provisions	5%
We are not listed on the Dutch stock exchange	51%
Don't know	40%
Number of respondents	63

## The Netherlands

Does the introduction of IFRS2 have any impact on the design of your equity incentive arrangements?

	2006
Yes, have amended our equity incentive arrangements	10%
Possibly, we are considering amending our equity incentive arrangements	5%
No, IFRS2 does not have any impact on our design	35%
Don't know	50%
Number of respondents	60

Based on your vesting conditions and plan design, when are the company's stock options taxable?

	2006
At exercise—they are post-2005 options (e.g., options that are granted or that vest for the first time on or after 1 January 2005)	42%
At exercise—they are pre-2005 options with a deferral election	27%
At vesting—they are pre-2005 options	10%
At grant—they are pre-2005 options (e.g., options that have been granted and have vested for the first time before January 1, 2005)	2%
Don't know	19%
Number of respondents	71

2005 Survey: Based on your vesting conditions and plan design, when are the company's stock options taxable?

	2005 Survey
Exercise	48%
Vesting	23%
Grant	8%
Don't know	22%
Number of respondents	65

Based on your vesting conditions and plan design, are restricted stock/restricted stock units taxable at the date of grant or vesting?

	2006
At vesting	67%
At grant	4%
At grant with a discount negotiated with the tax authorities	2%
Don't know	27%
Number of respondents	49

Have you structured your equity/stock incentive arrangement in such manner that settlement is made in cash?

	2005	2006
Yes	19%	13%
No	64%	75%
Don't know	17%	13%
Number of respondents	64	56

Do you provide loans to employees to enable them to participate in the incentive arrangements operated in The Netherlands?

	2005	2006
Yes	6%	2%
No	82%	90%
Don't know	12%	8%
Number of respondents	65	60

## Singapore

What is the maximum percentage of shares an employee can hold under an equity/stock-based plan in your company?

	2005	2006
>5%	14%	8%
5%	12%	13%
4%	0%	2%
2-3%	0%	0%
1%	3%	4%
Don't know	71%	73%
Number of respondents	58	52

Can employees who are terminated exercise their options after termination?

	2005	2006
Yes	73%	91%
No	19%	9%
Don't know	8%	0%
Number of respondents	62	55

When can the terminated employees exercise their stock options?

	2005	2006
Within 90 days of termination	43%	46%
Within 60 days of termination	10%	6%
Within 30 days of termination	8%	9%
For as long as the option exercise term	10%	6%
Other	27%	31%
Don't know	2%	2%
Number of respondents	49	54

## Other in previous table

	2006
Depends on termination reason	40%
1 year	27%
180 days	20%
Before termination	7%
Until next exercise window	7%
Number of respondents	15

## Are the option grants in Singapore in addition to annual bonus or a partial replacement of bonus?

	2005	2006
Addition	85%	69%
Replacement	0%	2%
Don't know	15%	30%
Number of respondents	60	54

## Is your program considered "qualified" for local purposes (i.e., is your program considered a Company Employee Equity-Based Remuneration Scheme (CEEBR))?

	2006
Yes	22%
No	78%
Number of respondents	46

## If yes, did your company actively modify award provisions so as to meet the applicable requirements?

	2006
Yes	36%
No	64%
Number of respondents	11

## South Africa

Intense scrutiny of corporate governance, increased shareholder activism, accounting standards that call for the value of incentive instruments issued to executives to be expensed in company income statements, and amendments to tax legislation in South Africa have led to the restructuring and reevaluation of traditional executive reward structures. Remuneration Committee members are increasingly concerned about striking a fair deal for shareholders, and yet attracting and retaining key executives. In South Africa, the added dimension of black economic empowerment adds yet more complexity to this challenging issue.

There has been a recent flurry of activity in share schemes in South Africa, driven by the global trends. These are:

- Regular Annual Allocations
- The use of a combination of conditional and option awards
- The introduction of the use of performance vesting conditions
- The use of equity-settled rather than cash-settled schemes
- Calibrating the expected value of awards against benchmarks
- Structuring the settlement method so as to enable the company at its discretion to settle the award with the most effective accounting and tax treatment available at the time of settlement

Set forth below is a closer look at some of these trends.

The granting of a “mix” of instruments and the increased use of share awards are emerging trends in the South African market. Whereas employees tend to sell immediately upon vesting the shares over which they have options, in contrast, they tend to retain share awards (LTIP) for longer periods of time. Shareholders favour employees and directors building up personal shareholding in the company as this aligns shareholders’ and management’s interest. Additionally, because the value of options is enhanced by higher volatility and lower dividend yield, whereas shareholders generally prefer lower volatility and higher dividend awards, many companies are looking at replacing options with conditional share awards.

The introduction of IFRS 2 has led companies to take another look at the settlement of share schemes. Because of the unfavorable accounting associated with leaving settlement between cash or shares up to election by employees, the majority of companies are now specifying settlement of equity awards be made in shares.

IFRS 2 has also compelled the majority of companies to consider the availability of a corporate tax deduction. The correct settlement method is a crucial aspect in ensuring the availability of a corporate tax deduction in South Africa. South African companies that participate in a share scheme offered by offshore parent companies face a further obstacle in claiming a corporate tax deduction because current exchange control restrictions in South Africa disallow a recharge from the parent company.

Under the previous tax regime, the majority of South African companies offered Deferred Delivery Schemes whereby employees were taxed on their share scheme gains at capital gains tax rates rather than income tax rates. With the introduction of new legislation in October 2004, the South Africa Revenue Service has effectively legislated against these schemes and the majority of equity-based schemes will result in the gains being subject to income tax at marginal rates. In South Africa, the majority of companies that offered Deferred Delivery Schemes have redesigned their schemes to be in line with the new tax laws. Deferred Delivery Schemes are onerous under the new tax dispensation, as employees are subject to downside risk.

Do you offer combined instruments (e.g., Share option with Deferred Bonus Plan or Long Term Incentive Plan)?

	2005	2006
Yes	12%	9%
No	71%	84%
Don't know	18%	7%
Number of respondents	34	43

Do you currently or are you planning to offer participants a choice between settlement in shares or cash for your equity/ stock-based compensation plan?

	2005	2006
Yes, offer choice	24%	16%
No, do not offer choice	56%	79%
No, but planning to offer choice	3%	0%
Don't know	18%	5%
Number of respondents	34	43

Does the specific tax treatment of equity-based settlements in the hands of the Company compel you to consider settlement in cash rather than in shares?

	2005	2006
Yes	15%	12%
No	49%	64%
Don't know	36%	24%
Number of respondents	33	42

## South Africa

Do you currently offer a so-called Deferred Delivery Plan?

	2005	2006
Yes	5%	2%
No	62%	79%
Don't know	32%	19%
Number of respondents	37	42

Which of the following plans replaces the Deferred Delivery Plan?

	2006
Share Option Plan	38%
Share Purchase Plan	25%
Share Awards (including Performance Shares, Restricted Shares)	13%
Deferred Bonus Plan (with or without Matching Shares)	13%
Long Term Incentive Plan/RSU	13%
Share Appreciation Scheme (Phantom Scheme)	0%
Cash deferred bonus	0%
Number of respondents	8

## South Korea

Do you know if your employees who are participating in your Stock/Share Option Plan are fully compliant with reporting their option Exercise income?

	2005	2006
Yes	24%	33%
No	18%	22%
Don't know	58%	46%
Number of respondents	38	46

If your company does not recharge equity plan costs to its Korean subsidiary, does your company inform its Korean employees of the benefit of joining a Class B taxpayers association (i.e., the employee will be entitled to a 10% tax deduction on the taxable benefit)?

	2006
Yes	24%
No	68%
Don't know	8%
Number of respondents	25

## Spain

Is your plan designed to offer the opportunity to exempt 40% of the option spread at exercise from tax?

	2005	2006
Yes	7%	13%
No	59%	52%
Don't know	34%	36%
Number of respondents	56	56

If your equity awards qualify for the local EUR 12,000 exemption, does your company track employee compliance with the three-year holding period?

	2006
Yes	18%
No	82%
Number of respondents	33

If yes, how does your company track compliance?

	2006
Impose a sale restriction	13%
Coordinate with broker to track	38%
Require employee to notify employer of an early disposition	13%
Other	38%
Number of respondents	8

If the employee disposes of the shares prior to meeting the three-year holding period, does your company withhold and remit social tax on the previously exempt amount?

	2006
Yes	36%
No	59%
Don't know	5%
Number of respondents	22

## Switzerland

For companies offering stock-based compensation plans in Switzerland, the most challenging aspect remains, in line with last year's finding, compliance with the Swiss tax practice and local legislation. Because implementation of the proposed Federal Law on the taxation of employee equity participation has been further delayed, the taxation of employee shares and options continues to be based on existing Federal guidelines, which leaves scope for different practice by the regional (cantonal) tax authorities. In order to achieve more certainty on the tax treatment of equity-based plans, the filing of a ruling request is common practice and recommendable, particularly with respect to stock options. Indeed, the number of Survey respondents that filed a tax ruling for the approval of the tax implications of stock option plans in 2006, when compared with 2005, has increased from around 40% to almost 60%.

From a design perspective, equity plans offered by Swiss-based companies continue to be mainly service-based plans, where the vesting of the equity instrument is linked to continued employment. Nevertheless, the increasing shift to more performance-based plans is also observed in Switzerland, which is in line with the overall key finding of this survey. Vesting, for example of RSUs, is then linked to specific company goals, such as Total Shareholder Return (TSR), Earnings per Share (EPS), cash flow growth, profitability or a combination of various performance targets.

Do you have a tax ruling with the Swiss tax authorities to qualify or clarify the tax treatment of any of your equity/stock plans?

	2005	2006
Yes	37%	57%
No	29%	21%
Don't know	34%	23%
Number of respondents	59	53

If the answer was 'yes,' in relation to what types of awards has your company sought a ruling request?

	2006
Options	100%
RSU	0%
ESPP	0%
SAR	0%
Other	0%
Number of respondents	66

## Switzerland

What is the length of the option term?

	2006	
	Grants before 1/1/06	Grants after 1/1/06
>10 years	5%	5%
10 years	71%	67%
9 years	0%	1%
8 years	5%	4%
7 years	8%	10%
6 years	0%	0%
5 years	6%	7%
3-4 years	0%	1%
Other	5%	5%
Number of respondents	84	82

If you have recently redesigned your option plan, what are the reasons?

	2006
Changes made - to address Accounting issues	22%
Changes made - to address market trends	18%
Changes made - to increase alignment of total compensation strategy with business strategy	15%
Changes made - Other	10%
Changes made - to address tax issues	6%
Changes made - to address Corporate Governance issues	4%
Changes made - to increase international coordination/ deployment of compensation strategy	3%
Changes made - to address Employee Preference Analysis	3%
Changes made - to address options that are out of the money	2%
No change since 1/1/05	17%
Number of respondents	85

What is the Discount currently provided in your ESPP?

	2006
>15%	16%
15%	55%
10%	2%
5%	8%
0%	6%
Other	14%
Number of respondents	51

What holding period applies after shares/options have vested and before they can be exercised or received by the awardee, for each plan offered?

	2006			
	Options	RS	RSU	SAR
5 year	0%	0%	0%	11%
4 year	2%	0%	0%	0%
3 year	0%	13%	4%	0%
2 year	0%	38%	8%	0%
1 year	10%	0%	4%	0%
Other	6%	13%	4%	11%
No holding requirement	82%	38%	80%	78%
Number of respondents	49	8	25	9

## Switzerland

Indicate the specific market and/or performance measures that are built into your Restricted Stock Units.

	2006			
	Required to Vest	Affects # shares	Required for grant	Accelerates Vesting
Earnings per share (EPS)	25%	20%	11%	0%
Stock price/TSR relative to peers	13%	16%	33%	0%
Cash flow	19%	12%	11%	20%
Other/combination (please describe)	25%	12%	0%	0%
Stock/Share Price	6%	8%	11%	0%
Return (e.g., ROE, ROA, ROIC, RONA)	6%	4%	11%	20%
Revenue/Revenue growth	0%	8%	11%	0%
Strategic milestones (e.g., Product launch, etc.)	0%	4%	11%	20%
Residual Earnings (e.g., economic profit, EVA etc)	6%	8%	0%	0%
Total shareholder return (TSR)	0%	4%	0%	0%
EBIT (Earnings Before Interest and Tax)	0%	0%	0%	20%
EBITDA (Earnings Before Interest, Tax, etc.)	0%	4%	0%	0%
Margin	0%	0%	0%	20%
IPO, merger, other business combination	0%	0%	0%	0%
Number of respondents	16	25	9	5

What is the length of the typical performance period?

	2006
1 year	22%
2 years	4%
3 years	57%
Other	18%

## Thailand

Has your company implemented a mandatory Cashless Exercise under the Stock/Share Option Plan?

	2005	2006
Yes	28%	35%
No	55%	48%
Don't know	18%	18%
Number of respondents	40	40

Is the reason for implementing a mandatory Cashless Exercise Stock/Share Option Plan because of exchange control restrictions?

	2005	2006
Yes	91%	46%
No	9%	17%
Don't know	0%	38%
Number of respondents	11	24

Does your company have a tax ruling with the Thai Revenue Department to qualify or clarify the tax treatment of any of your equity plans?

	2006
Yes	15%
No	38%
Don't know	46%
Number of respondents	39

## Thailand

Is your company aware of potential registration requirements with the Thai Securities and Exchange Commission if any equity plan is classified as a “Public Offer” (i.e., offered to over 35 eligible employees and over Baht 20 million total offering volume in any 12 month period)?

	2006
Yes	66%
No	5%
Don't know	29%
Number of respondents	38

Is your company aware of potential ongoing reporting obligations with the Thai Securities and Exchange Commission in respect to stock exercises and purchases?

	2006
Yes	58%
No	11%
Don't know	32%
Number of respondents	38

## United Kingdom

Within the UK, there have been significant alterations regarding how the tax on share plans is computed, withheld and reported since the application of the new international accounting. These changes in accounting and tax requirements have occasioned most companies to review their share plan arrangements. In the main, this has resulted in some companies, streamlining and updating their equity plans. Several entities have taken the opportunity to place more emphasis on restricted or performance shares rather than options as the latter had been increasingly regarded as less effective for broad-based plans. On the whole, the changes have been aimed at making the equity arrangements more effective and more motivational, rather than especially to reduce costs or withdraw the benefits.

The other area of particular change has been around performance conditions attaching to equity incentives. Whilst relative total shareholder return and earnings growth remain the predominant measures, there is an emerging usage of other measures where these are felt to be bespoke to the specific needs of individual companies.

Overall, there is still evidence that share ownership continues to provide additional incentive to deliver enhanced company performance. Share ownership also continues to provide supplementary advantage in augmenting employees' personal financial awareness and knowledge of employees. And the continuing favorable tax status of approved share plans means that they can remain a highly tax-efficient way of passing value from company to employee.

### Which of the following types of share or incentive plans does your company operate now for UK employees?

	2005	2006
Share Options, including Approved Company Share Option Plan (CSOP)	46%	38%
Share Awards (including performance shares and restricted shares)	14%	26%
Share Purchase arrangements	7%	8%
Approved Share Incentive Plan (SIP)	7%	8%
Approved Savings-Related Share Option Plan (SAYE or Sharesave)	9%	6%
Bonus Deferral into Shares	4%	4%
Phantom Options or SARs	1%	3%
Other	3%	3%
None of the above	4%	3%
Don't know	5%	1%
Number of respondents	88	91

## United Kingdom

Which of the following types of share or incentive plans is your company considering for UK employees?

	2006
Share Options, including Approved Company Share Option Plan (CSOP)	19%
Share Awards (including performance shares and restricted shares)	16%
Approved Share Incentive Plan (SIP)	8%
Share Purchase arrangements	8%
Bonus Deferral into Shares	5%
Approved Savings-Related Share Option Plan (SAYE or Sharesave)	5%
Phantom Options or SARs	3%
Other	1%
Don't know	8%
None of the above	27%
Number of respondents	75

Which of the following types of share or incentive plans has your company recently discontinued in the UK?

	2006
Share Options, including Approved Company Share Option Plan (CSOP)	6%
Approved Savings-Related Share Option Plan (SAYE or Sharesave)	5%
Share Purchase arrangements	5%
Share Awards (including performance shares and restricted shares)	3%
Bonus Deferral into Shares	3%
Approved Share Incentive Plan (SIP)	3%
Phantom Options or Stock Appreciation Rights (SAR)	2%
Other	0%
Don't know	5%
None of the above	69%
Number of respondents	65

Do you transfer all or part of the employer's national insurance contributions for your Share Options to your employees using a joint election?

	2005	2006
No	74%	54%
Yes, but with no adjustment to size of awards	15%	43%
Yes and adjust the size of awards to compensate	11%	4%
Number of respondents	27	28
"Don't know" responses excluded	16	22

What performance conditions must be met before the Share Options may be exercised?

	2006
None	80%
Other performance conditions	9%
Earnings per share (EPS) only	6%
Total shareholder return (TSR) only	2%
TSR and EPS	0%
Don't know	4%
Number of respondents	55

Do you transfer all or part of the employer's national insurance contributions for your Share Awards to your employees using a joint election?

	2005	2006
No	84%	70%
Yes, but with no adjustment to size of awards	5%	26%
Yes and adjust the size of awards to compensate	11%	4%
Number of respondents	19	23
"Don't know" responses excluded	6	23

## United Kingdom

What performance conditions must be met before the Share Awards vest?

	2006
None	69%
Total shareholder return (TSR) only	4%
Earnings per share (EPS) only	2%
TSR and EPS	2%
Other performance conditions	18%
Don't know	4%
Number of respondents	49

Does your company operate an Approved Company Share Option Plan (CSOP)?

	2006
Yes	42%
No	40%
Don't know	18%
Number of respondents	60

Approximately what percentage of employees in the UK currently hold Options?

	2006
10% or fewer	57%
11%-25%	8%
26%-50%	5%
51%-75%	11%
76%-90%	5%
Over 90%	10%
Don't know	5%
Number of respondents	63

Which types of shares do you currently offer through your SIP?

	2005	2006
Free Shares	18%	27%
Partnership Shares	32%	15%
Matching Shares	23%	12%
Dividend Shares	23%	12%
Don't know	5%	34%
Number of respondents	22	41

For your last SAYE/Sharesave offer, which option periods could be chosen?

	2005	2006
3-year	43%	20%
5-year	33%	20%
7-year	5%	0%
Don't know	19%	60%
Number of respondents	21	20

For your last SAYE/Sharesave offer, what discount was the Option exercise price to the market price at grant?

	2005	2006
0%	8%	5%
10%	0%	0%
15%	0%	14%
20%	39%	18%
Other	8%	0%
Don't know	46%	64%
Number of respondents	13	22

## United Kingdom

Approximately what percentage of employees in the UK currently hold SAYE/Sharesave Options?

	2005	2006
10% or fewer	0%	19%
11%-25%	8%	5%
26%-50%	8%	5%
51%-75%	39%	24%
76%-90%	8%	0%
Over 90%	0%	0%
Don't know	39%	48%
Number of respondents	13	21

Approximately what percentage of employees in the UK currently hold Share Awards?

	2005	2006
10% or fewer	50%	49%
11%-25%	14%	13%
26%-50%	5%	4%
51%-75%	5%	4%
76%-90%	5%	2%
Over 90%	9%	13%
Don't know	14%	13%
Number of respondents	22	48

## United States

Which type of options does your company grant in the US?

	2006
We granted Tax Qualified Incentive Stock Options (ISO's) before 1/1/05 and plan to continue	12%
We granted ISO's before 1/1/05 but plan to discontinue	12%
We granted Non-Qualified Stock Options (NQSO's) before 1/1/05 and plan to continue	64%
We granted Non-Qualified Stock Options (NQSO's) before 1/1/05 but plan to discontinue	7%
Don't know	6%
Number of respondents	69

Which type of options does your company grant in the US?

	2005
ISOs	4%
NQSOs	59%
ISOs & NQSOs	26%
Don't know	11%
Number of respondents	95

If an employee performs a disqualifying disposition, does your company report the compensation element on the employee's annual Form W-2?

	2006
Yes	86%
No	9%
Don't know	5%
Number of respondents	43

For executives who exercise options, do you allow them to perform a cashless exercise?

	2005	2006
Yes	77%	84%
No	17%	15%
Don't know	6%	2%
Number of respondents	94	62

## United States

Which of the following best describes how often employees trigger a disqualifying disposition:

	2005	2006
Almost Always		16%
Usually	32%	16%
Sometimes		19%
Seldom	24%	5%
Never	3%	12%
We don't track/Don't know	42%	32%
Number of respondents	38	57

Do you operate a US IRC Section 423 Plan?

	2005	2006
Yes but we expect to discontinue it		0%
Yes and we plan to continue it	52%	37%
No, we recently discontinued		8%
No, we have never operated one	34%	45%
Don't know	14%	10%
Number of respondents	93	60

What percentage of employees would you say file an IRC Section 83(b) election on their restricted stock awards?

	2005	2006
5% or Less		51%
6-10%	60%	0%
11-25%		2%
Over 25%	10%	0%
Don't know	30%	47%
Number of respondents	63	45

If your company pays dividends on restricted stock, does your company report dividends paid on unvested restricted stock as compensation income (and withhold the corresponding income and social tax)?

	2006
Yes	47%
No	31%
Don't know	22%
Number of respondents	36

## VIII. Participant information

### Number of employees worldwide

	2006
200,000+	6%
100,000-199,999	11%
50,000-99,999	15%
20,000-49,999	20%
10,000-19,999	16%
5,000-9,999	13%
2,000-4,999	12%
0-1,999	8%
Number of respondents	151

### Number of participants headquartered in each country

	2006
U.S.	97
Switzerland	15
U.K.	11
Netherlands	7
France	7
Denmark	4
Canada	4
Australia	4
Belgium	3
South Africa	2
Singapore	2
Japan	2
Spain	1
India	1
Finland	1
Number of respondents	161

### Which accounting standard applies

	2006
FAS	57%
Both	18%
IAS	18%
Other	7%
Number of respondents	166

## Fall update

Does your company have a written compensation philosophy?

	Fall update
Yes, since before 2006	36%
Yes, prepared/updated in 2006	8%
No	38%
Don't know	18%
Number of respondents	74

Has your company reviewed its internal controls over executive compensation?

	Fall update
Yes, in 2005 or earlier	27%
Yes, in 2006	19%
Not yet, but we are currently putting them in place	11%
No	26%
Don't know	18%
Number of respondents	74

Does your company use tally sheets to understand total compensation provided for executives?

	Fall update
Yes	26%
No	38%
Don't know	36%
Number of respondents	74

If your company is an SEC registrant, has the Compensation Committee reviewed a sample of what your company's Executive Compensation tables will look like in your first Proxy statement or annual filing after December 15, 2006?

	Fall update
Yes	29%
Not yet, but they will at the next Board meeting	27%
No, no sample has been planned	15%
Don't know	29%
Number of respondents	41

### Country of Parent Company Headquarters

	Fall update
United States	60
Australia	3
United Kingdom	3
Other	2
Belgium	1
Canada	1
Denmark	1
France	1
Netherlands	1
South Africa	1
Number of respondents	74

# PricewaterhouseCoopers

Drawing on the skills of more than 125,000 people in 142 countries, we at PwC build relationships by providing services based on quality and integrity. We help our clients solve their complex business problems and measurably enhance their ability to build value, manage risk and improve performance.

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