Baker McKenzie.

DATADOG

French reporting obligations in relation with your Datadog equity awards | 31 May 2022

Agnès Charpenet & Emilie Suryasumirat - Baker McKenzie Paris

The following information is general in nature and applies to you assuming that you ***are resident in France for tax purposes*** *and subject to* ***French mandatory social security scheme*** *from the grant date of your Datadog equity awards (i.e. French-qualified Stock-options, French non-qualified Stock-options, ESPP, French non-qualified restricted stock units, French-qualified restricted stock units) granted by Datadog, Inc. until the sale of Datadog Inc. shares (« shares ») you acquired.*

It is based on the tax and other laws in effect in France as of 31 May 2022. Such laws are often complex and may change frequently. As a result, the information contained in this presentation may be out of date at the time of a taxable event relating to your Datadog equity awards.

No particular tax result is guaranteed to you. The tax consequences will depend on your own personal circumstances. You should obtain independent professional advice on how the tax or other laws apply to your specific situation.

If you are a US citizen or resident of more than one country or you transfer employment or residency after you are granted Datadog equity awards, the information in this presentation may not apply to you in the same manner. Accordingly, you should seek appropriate professional advice as to how the tax, reporting and filings apply to your specific situation.

The examples are purely theoretical and illustrative, no one can predict the evolution of the share price, currency conversion rates and changes in tax rates. Please note that the dates in this presentation are in DD/MM/YY format.

This presentation is not a personal tax advice from Datagog or Baker McKenzie to you.

Purpose of this document

2021 Equity awards to be reported in 2022

- **For the 2021 tax year**, you realized an equity taxable income during 2021 derived from at least one of the following equity awards: French-qualified Stock-options (« Options »), French non-qualified Options, your participation in the ESPP, French-qualified restricted stock units (« RSUs »), French non-qualified RSUs.
- **You will therefore be subject to reporting obligations with respect to your French income tax return to be filed in May/June 2022.**

Purpose of this document:

- Presentation of the different Datadog equity awards triggering taxable income in 2021
- Presentation of the different taxable regimes applicable to your 2021 equity award income to be reported together with your other 2021 taxable income in your 2022 French income tax return due in May/June 2022
- Presentation of the obligation to report any bank account held abroad (in particular, your E*TRADE account) **irrespective of the fact that you will report or not any taxable equity award gains in 2022**

We would like to draw your attention to the fact that this presentation onlyconcerns the taxation and reporting procedures relating to income derived from Datadog equity awards triggering a taxable event in 2021

Income tax return on 2021 income

Filing deadlines

Reporting procedures
Filing online the income tax return is mandatory

Within what timeframe?

24 May
midnight

French departments No. 01 to 19 & non-residents

31 May
midnight

French departments No. 20 to 54

8 June
midnight

French departments No. 55 to 976

Please note that the deadline for **filing a paper return** is **May 31th, 2022** – it is the case notably for individual who previously resided abroad and who has not applied for identification to local tax office

Income tax return on 2021 income

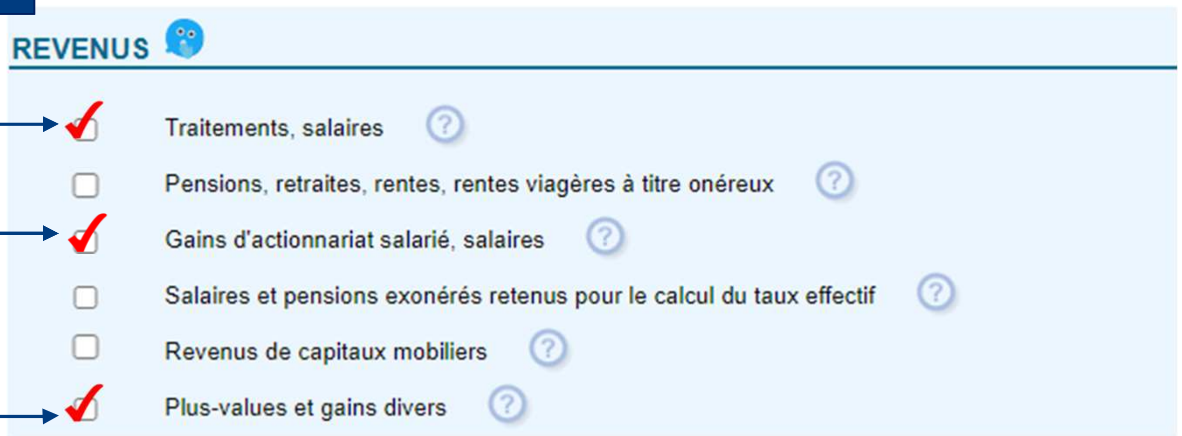
Preliminary steps on your personal online account

Select the categories of income depending on your situation

Salaries (gains from non-qualified Options/RSUs and ESPP discount are, in principle, included in your taxable salaries)

Gains from qualified Options/RSUs

Capital gain/loss



Income tax return on 2021 income

Preliminary steps on your personal online account

ANNEXES

Cliquez ici pour gérer vos annexes : **Déclarations ANNEXES**

Déclarations annexes

☐	Déclaration des revenus 2021 encaissés à l'étranger par un contribuable domicilié en France (y compris la fiche d'aide au calcul du salaire suisse net imposable n° 2047 suisse)	**N° 2047**
☑	Déclaration des plus ou moins-values réalisées en 2021 *Si vous êtes dispensé(e) de dépôt d'une déclaration de plus ou moins-values (consultez les cas de dispense en cliquant **ici**), ne cochez rien et cliquez sur « Valider »*	**N° 2074**
☐	Déclaration des plus-values en report d'imposition en 2021	**N° 2074 I**
☐	Déclaration des plus-values réalisées en 2021 : Fiche de calcul de l'abattement pour durée de détention	**N° 2074 ABT**
☐	Déclaration des plus ou moins-values de cession de titres réalisées en 2021 par des dirigeants de PME européennes en vue de leur départ en retraite	**N° 2074 DIR**
☐	Déclaration de certaines plus ou moins-values de cession de titres réalisées en 2021 par les impatriés	**N° 2074 IMP**
☐	Déclaration d'imputation entre plus-values et moins-values	**N° 2074 CMV**
☐	Déclaration des revenus 2021 (départ à l'étranger ou retour en France)	**N° 2042 NR**
☐	Déclaration de retenue à la source - année 2021	**N° 2041 E**
☑	Déclaration par un résident d'un compte ouvert, détenu, utilisé ou clos à l'étranger (compte bancaire ou compte d'actifs numériques) ou d'un contrat de capitalisation ou placement de même nature souscrit hors de France	**N° 3916 - 3916 bis**

Select only if you have sold shares in 2021 with a capital gain/loss to report

To be selected for disclosure of foreign bank account

Agenda

1	French qualified Options
2	French non-qualified Options
3	French qualified RSUs
4	French non-qualified RSUs
5	Gains issued from the ESPP
6	Reporting of foreign bank or shares account
7	Mobile employees

OPTIONS

Non-qualified Options vs. qualified Options

Non-qualified Options

Grant were made under a foreign Plan which was not amended to comply with the conditions set by the French commercial code

It relates to grants of non-qualified Options made by Datadog, Inc. to participants who were taxable abroad, or to French participants before July 2015

→ **Tax and social security regime of the exercise gain of the Options identical to that which applies to employment income processed through pay slip**

There are two taxable events:

- a first one on the **exercise date of Options/delivery date of the shares**, and
- a second one on the **date of sale of the shares**

Qualified Options

Grant conditions are compliant with the requirements set by French law (e.g.: regarding the determination of the exercise price)

It relates to grants of qualified Options made by Datadog, Inc. to French participants as from July 2015 and until September 2019 (before the IPO)

→ **Specific tax and social security regime applicable to the gain resulting from the exercise of Options**

A single taxable event on the **date of sale of the shares**

Please carefully review the grant documentation provided to you at the time of the grant of your Options to review the nature of your awards (French qualified or not), the vesting schedule, the restrictions on sale of shares (e.g. closed periods, etc.)

1

French qualified Options

Qualified Options

Qualified Options

Grant conditions are compliant with the requirements set by French law (e.g.: regarding the determination of the exercise price)

It relates to grants of qualified Options made by Datadog, Inc. to French participants as from July 2015 and until September 2019 (before the IPO)

→ **Specific tax and social security regime applicable to the gain resulting from the exercise of Options**

A single taxable event on the **date of sale of the shares**

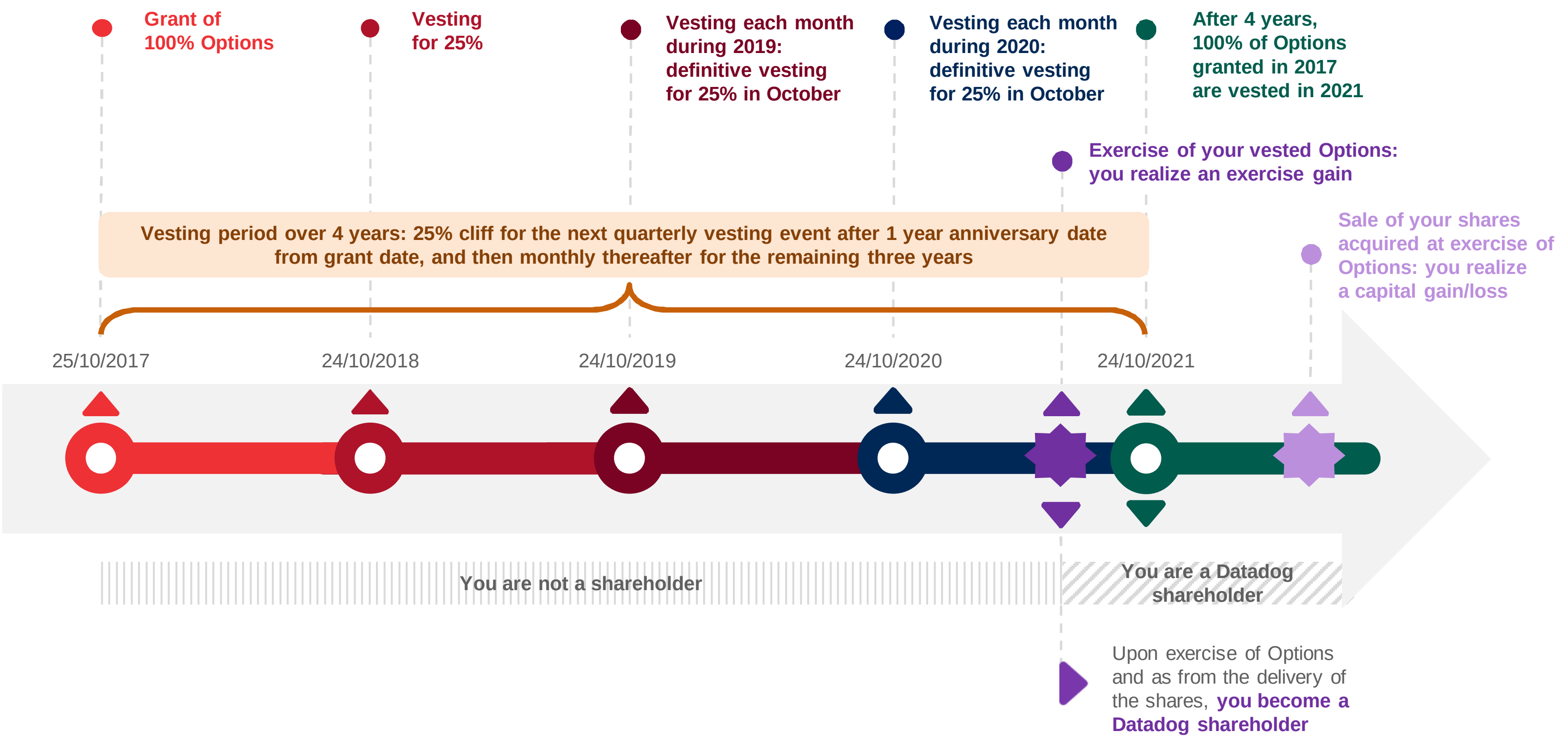
DATADOG

Please note that the following slides comment the Options that have been exercised as from 17 February 2021 and shares thus acquired that have been sold between 17 February 2021 and 31 December 2021 outside of your PEE.

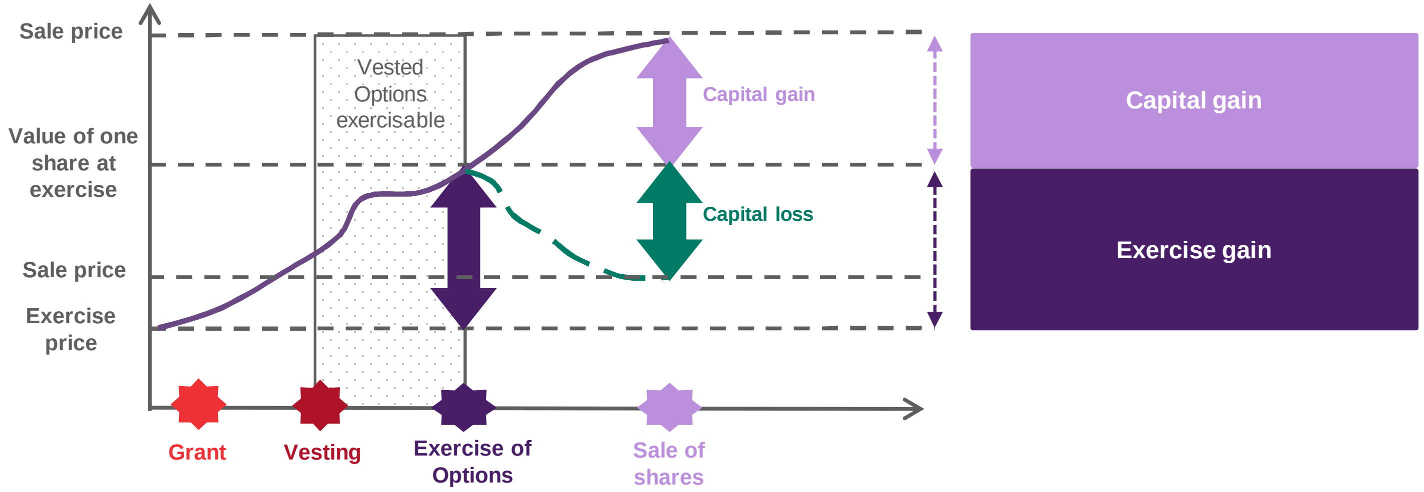
For Options exercised through your PEE, please refer to information provided by Eres.

Please carefully review the grant documentation provided to you at the time of the grant of your Options to review the nature of your awards (French qualified or not), the vesting schedule, the restrictions on sale of shares (e.g. closed periods, etc.)

Vesting schedule of Datadog qualified Options



Gains from Datadog qualified Options



The taxable event is the <u>sale of the shares</u>. For the year of the sale of the shares, you will be subject to tax on both:

1) **Exercice gain:** the difference between the value of one share at exercise date and the exercise price

2) **Capital gain:** the difference between the sale price and the value of one share at exercise date

3) **Capital loss:** in case the sale price is less than the value of one share at exercise date of the Options, you realize a capital loss from a tax perspective

Please note that you will have to compute yourself the exercise gain and capital gain/loss as many time as necessary. See in the following slides for details of the calculations

Exercise gain from qualified Options

How is your exercice gain determined?

The taxable **exercise gain** is determined as follows:

Fair market value of one share on the date of exercise converted into euro using the exchange rate published by *Banque de France* on the date of exercise*

—

Exercise price converted into euro by using the exchange rate published by *Banque de France* on the date of exercise*

x

Number of Options exercised and shares sold

Example of computation of an exercise gain

	Grant on 25/10/2017	
	Number of Options granted	30
	Exercice price in $	$ 0,91
	Exchange rate on 03/03/2021	1,2048
A	Exercice price in €	0,76 €
	Exercice of 30 qualified Options on 03/03/2021	
	Value of one share on 03/03/2021 in $	$ 90,00
	Exchange rate on 03/03/2021	1,2048
B	Value of one share on 03/03/2021 in €	74,70 €
C	Number of Options exercised	30
*(B-A)*C*	**Exercise gain**	**2 218 €**

**https://www.banque-france.fr/statistiques/taux-et-cours/les-taux-de-change-salle-des-marches/parites-quotidiennes* – *also review with your 2021 individual statement*

Exercise gain from qualified Options

What is the taxable regime of your exercise gain?

The regime described below is the regime applicable to exercise gains for French qualified options granted on or after 28 September 2012

	Taxable regime of your exercise gain upon sale of shares
Income tax	Progressive income tax rates (up to **45%**)
Surtax on high income	**3%/4%** surtax on high income when all income (including exercise gain) exceed certain thresholds*
Social taxes or contributions	**9.7%** (6.8% being tax deductible in the year of payment) + **10%** employee specific social contribution
Overall taxation (surtax on high income excluded)	**Up to 61.64% (approx.)**

**A surtax of 3% applies to all income between €250,000 and €500,000 for single taxpayers (€500,000 and €1,000,000 for joint taxpayers), and 4% to income exceeding €500,000 for single taxpayers (€1,000,000 for joint taxpayers). The surtax applies to all income, but it is possible to obtain a surtax reduction under certain circumstances.*

Exercise gain from qualified Options

Reporting on Form No. 2042 C

Please see below for illustration, the amount of the exercise gain computed in slide 14 as it should be reported.

VOS REVENUS

SALAIRES, GAINS DE LEVÉE D'OPTIONS

Notice

Rabais excédentaire sur options sur titres **1TP**

Gains de levée d'options attribuées à compter du 28.9.2012 ; gains d'acquisition d'actions gratuites attribuées à compter du 28.9.2012 sur décision prise au plus tard le 7.8.2015 ; gains d'acquisition d'actions gratuites attribuées sur décision prise à compter du 31.12.2016 pour leur fraction excédant 300 000 € **1TT** 2218

1TT: Complete with the amount of your net taxable exercise gain

In case you realize a capital loss upon sale of the shares

Capital loss (if any) realized at sale **will be offset against the exercise gain to reduce it**. You will only report here the net taxable exercise gain, i.e. after deduction of the capital loss (if any).

Note: the individual statement provided to you at the time of the exercise of your Options must be kept in your records and provided to the French tax authorities upon request.

Capital gain/loss

How is your capital gain/loss determined?

The **capital gain/loss** is determined as follows:

Sale proceeds converted into euro using the exchange rate published by *Banque de France* on the date of sale*

–

Fair market value of the one share on the date of exercise converted into euro at exercise date* (including brokerage fees when applicable)

x

Number of shares sold

Example of computation of a capital gain

	Sale of 30 shares on 20/12/2021	
	Sale price of one share in $	$ 164,38
	Exchange rate on 20/12/2021	1,1273
D	Sale price of one share in €	146 €
B	Value of one share at exercise date on 03/03/2021 in €	74,70 €
C	Number of shares sold	30
*(D-B)*C*	**Capital gain**	**2 134 €**

**https://www.banque-france.fr/statistiques/taux-et-cours/les-taux-de-change-salle-des-marches/parites-quotidiennes*

Capital gain/loss

What is the taxable regime of your capital gain/loss?

	Capital Gain
Income tax	Flat tax at **12.8%** or possible election* for the progressive income tax rates (up to **45%**) (rebate available only for shares acquired before January 1, 2018**)
Surtax on high income	**3%/4%** surtax on high income***
Social taxes or contributions	**17.2%** (6.8% being tax deductible in the year of payment only if option for progressive income tax rates)
Overall taxation (surtax on high income excluded)	**30%** (unless option for progressive income tax and likely a more favorable combined rate)

**Please note that such an election triggers consequences on taxation of other income, i.e., the election, when made, would apply to all financial income, not allowing taxpayers to elect for it to apply to certain income only.*

***If you opted for the progressive income tax, certain allowances may remain available for shares you may have acquired before 1 January 2018, for income tax purposes (not social tax), provided certain conditions are met.*

**** See slide 13.*

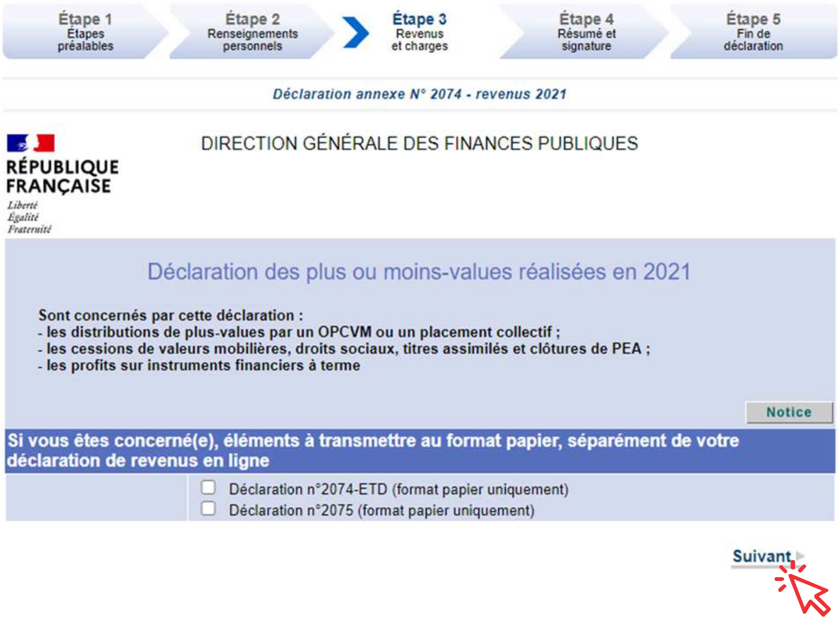
What happens in the event of a capital loss upon sale of shares?

If the sale price of the shares is less than the fair market value of the shares at exercise, you will realize a **capital loss**.

The capital loss realized in 2021 **can be offset against the exercise gain to reduce it**, and if there is any capital loss left, the excess of capital loss can be offsetable against of capital gain of the same nature realized by you and your household (but not other types of income) in 2021, or carried-forward during the next 10 years.

Capital gain/loss

Reporting on Form No. 2074


Étape 1 Étapes préalables
Étape 2 Renseignements personnels
Étape 3 Revenus et charges
Étape 4 Résumé et signature
Étape 5 Fin de déclaration

Déclaration annexe N° 2074 - revenus 2021

RÉPUBLIQUE FRANÇAISE
Liberté
Égalité
Fraternité

DIRECTION GÉNÉRALE DES FINANCES PUBLIQUES

Déclaration des plus ou moins-values réalisées en 2021

Sont concernés par cette déclaration :
- les distributions de plus-values par un OPCVM ou un placement collectif ;
- les cessions de valeurs mobilières, droits sociaux, titres assimilés et clôtures de PEA ;
- les profits sur instruments financiers à terme

Notice

Si vous êtes concerné(e), éléments à transmettre au format papier, séparément de votre déclaration de revenus en ligne

- [ ] Déclaration n°2074-ETD (format papier uniquement)
- [ ] Déclaration n°2075 (format papier uniquement)

Suivant

This is the first screen when you click on “Form No. 2074” to complete it.

It reminds that for the specific forms No. 2074-ETD (exit tax – transfer of your home outside France) and No. 2075 (capital gain/loss realized by interposed entities), you need to file a paper version of the return.

Click on “suivant” (next) to skip this screen

The next slides only illustrate the capital gain as determined in slide 17

Capital gain/loss

Reporting on Form No. 2074

VOS PLUS OU MOINS-VALUES CORRESPONDENT AUX CAS SUIVANTS : Notice

❶ Distributions de plus-values par un OPC, un FPI, un placement collectif ou une SCR :

Nombre de plus-values faisant l'objet d'une distribution : [ ] (3 au maximum).

❷ Compléments de prix perçus :

Nombre de titres cédés à l'origine du complément de prix : [ ] (3 au maximum).

❸ Cessions et rachats de valeurs mobilières, droits sociaux et titres assimilés pour lesquels :

- des titres ont été acquis avant le 1er janvier 1979 ☐
- vos intermédiaires financiers ou des personnes interposées n'ont pas calculé vos résultats.
  Si oui, indiquez le nombre [1] (99 au maximum).
- vos intermédiaires financiers ou des personnes interposées ont calculé vos résultats.
  Si oui, indiquez le nombre d'intermédiaires [ ] (3 au maximum).

Report the number of operations (sales) in 2021

Not Applicable
E*TRADE does not issue the IFU "Imprimé Fiscal Unique" with the calculation of the capital gain, if any

***<u>Note</u>*: *you do not have to file a Form No. 2074 if the sale of your shares in 2021 has generated a capital loss*.**
Similarly, if you have made several sales of shares, some of which generated capital gains and some of which generated capital losses, you do not have to indicate the disposal generating a capital loss in the number of the number of sales or in the rest of the Form. The amount of the Capital Loss must be directly deducted from your exercise gain to be reported in box 1TT

Capital gain/loss

Reporting on Form No. 2074

5 CESSIONS ET RACHATS DE VALEURS MOBILIÈRES, DROITS SOCIAUX ET ASSIMILÉS Notice

510 Plus-values ou moins-values déterminées par vous-même

		Titre n° 1	
511	Désignation des titres et des intermédiaires financiers	Actions Datadog, Inc. E*TRADE	
512	Date de la cession ou du rachat *jj/mm/aaaa*	20/12/2021	
513	**Détermination du prix de cession des titres**		
514	Valeur unitaire de cession	145,82	
515	Nombre de titres cédés	x 30	
516	Montant global *lignes (514 x 515)*	4375	
517	Frais de cession *cf. notice*		
518	Prix de cession net *lignes (516 - 517)*	4375	
519	**Détermination du prix de revient des titres**		
520	Prix ou valeur d'acquisition unitaire *cf. notice*	74.70	
521	Prix d'acquisition global *cf. notice*	2241	
522	Frais d'acquisition		
523	Prix de revient *lignes (521 + 522)*	2241	
524	**Résultat** précédé du signe + ou - *lignes (518 - 523)*	2134	Montant total reporté ligne 903, col. PV ou MV
525	Je demande expressément à bénéficier de l'imputation des moins-values préalablement à l'annulation des titres *cf. notice*	☐	
526	Montant des moins-values imputées pour les titres concernés *Montant déjà compris ligne 524, référez-vous à la notice § 510 « Cas particuliers »*		

To be filed with all details for computing your capital gain*

You will find all necessary information on your E*TRADE account

Value of one share at exercise (**not** the exercise price)

Brokerage fees (if any)

**If you realized several sales in 2021, you will have to file this screen as many times as the number of sales reported (you will see computation for Titres 1, then for Titres 2, Titres 3, etc.)*

Capital gain/loss

Reporting on Form No. 2074

9 RÉCAPITULATION DES PLUS-VALUES ET DES MOINS-VALUES RÉALISÉES EN 2021 Notice

900 Report de l'ensemble des résultats de l'année 2021

	Plus-value (PV)	Moins-value (MV)
901 Distributions de plus-values par un OPC, FPI ou un placement collectif ou SCR report ligne 303		
902 Complément de prix report ligne 405		
903 Valeurs mobilières, droits sociaux, titres assimilés : résultats déterminés par vous-même report ligne 524	2134	
904 Valeurs mobilières, droits sociaux, titres assimilés : calcul de vos intermédiaires report lignes (542 + 545 + 549) en col. PV et ligne 541 en col. MV		
905 Profits sur instruments financiers à terme (justificatif bancaire, **imprimé 2561 ter** ou autre)		
906 Compte PME innovation : clôture ou retrait partiel de titres ou de liquidités		
907 Soulte reçue dans le cadre d'une opération d'échange de titres report lignes 823 et 825		
908 Gains de cession ou d'apport de créances suite à clause d'indexation report ligne 606 et **2074-I** > report ligne 431		
909 Soulte reçue lors d'une opération d'apport de créances suite à clause d'indexation **2074-I** > report lignes 415 et 417		
910 Expiration des reports d'imposition **2074-I** > report lignes 550 et 570		
911 Cessions de titres réalisées par les dirigeants de PME européennes en vue de leur départ à la retraite (report **2074-DIR**)		
912 Cessions de titres réalisées par les impatriés (report **2074-IMP**)		
913 **Total**	2134	0

At this step, you will find the capital gain realized in 2021 reported automatically

Capital gain/loss

Reporting on Form No. 2074

11 DÉCLARATION Notice

Si vous avez réalisé uniquement des plus-values ou des plus-values et moins-values, vous devez remplir ce tableau.
Pour cela, **reportez-vous à la notice** 2074-NOT.

Vous devez a minima remplir les colonnes de l'étape 1 et le cas échéant, celle des étapes 2 et 3.
Dans le cas où **vous avez opté pour le régime progressif**, vous devez aussi remplir la colonne F ou G, en fonction de la durée de détention et du type de gain réalisé.
Aidez-vous de la notice et de la fiche 2074-NOT-ABT.

Si vous n'avez réalisé uniquement que des moins-values, ne remplissez pas le tableau :

Reportez le total des moins-values sur la déclaration n°2042C case 3VH.
Cette moins-value globale réalisée en 2021 pourra s'imputer sur les plus-values de même nature des 10 années suivantes.

Inscrivez cette moins-value dans la 2074 > cadre 12 « Situation au 31/12/2021 », case « 2021 ».

Sauf indication contraire, la totalité des reports seront effectués dans votre déclaration 2042C.

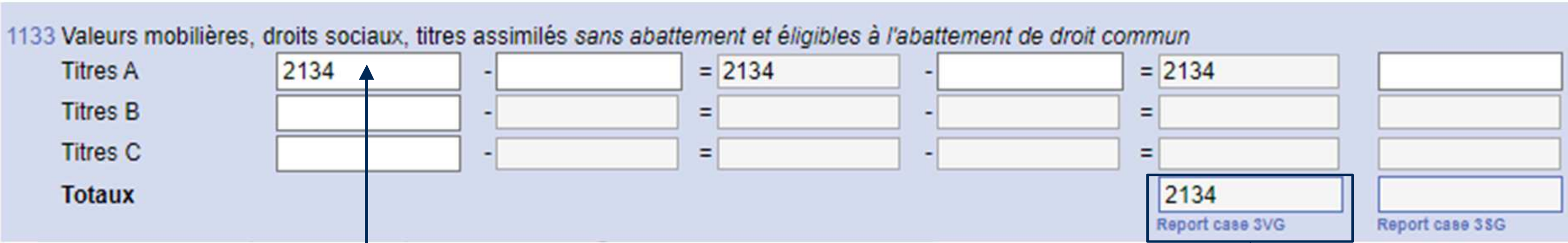
Étape 1	Étape 2	Étape 3
Compensez vos plus values avec vos moins-values (de l'année et antérieure)	Indiquez le montant de l'abattement pour durée de détention	Plus-value imposable

You have to file the section 11 (in particular, **section 1133**) if you realized in 2021 only capital gains or capitals gains and capital losses

If you realized in 2021 only capital losses, you do not have to complete this section 11

Capital gain/loss

Reporting on Form No. 2074



Report here the amount of the capital gain as determined line 903 (see slide 22)

Here is automatically calculated the amount of your capital gain as it will be reported automatically in the form No. 2042 C

Capital gain/loss

Reporting on Form No. 2074

TABLEAU DE REPORT AUTOMATIQUE :

Les montants calculés sur votre déclaration des plus ou moins-values (n° 2074) ont été reportés automatiquement sur votre déclaration principale. Pour les corriger, utilisez de nouveau votre déclaration n° 2074.

LIBELLÉ DE LA CELLULE À REPORTER	MONTANT	LIBELLÉ DE LA CELLULE DANS LA DÉCLARATION DES REVENUS	ACTIVER LE REPORT
Plus-values nettes imposables	2134 €	3VG ☐ Plus-value sans application d'abattement	report activé

Last screen of Form no. 2074

This amount will be automatically reported on the Form No. 2042 C

Reporting on Form No. 2042 C

VOS REVENUS

PLUS-VALUES ET GAINS DIVERS

Notice

Gains de cession de valeurs mobilières et assimilés		
- plus-values avant abattement	3VG	2134
- abattement pour durée de détention de droit commun	3SG	
Moins-value 2021	3VH	

If you opt for progressive taxation of all your financial income, you must first tick the box **OP** in frame 2 of the Form No. 2042

2

French non-qualified Options

Non-qualified Options

Non-qualified Options

Grant were made under a foreign Plan which was not amended to comply with the conditions set by the French commercial code

It relates to grants of non-qualified Options made by Datadog, Inc. to participants who were taxable abroad, or to French participants before July 2015

→ **Tax and social security regime of the exercise gain of the Options identical to that which applies to employment income processed through pay slip**

There are two taxable events:

- a first one on the **exercise date of Options/delivery date of the shares**, and
- a second one on the **date of sale of the shares**

Please carefully review the grant documentation provided to you at the time of the grant of your Options to review the nature of your awards (French qualified or not), the vesting schedule, the restrictions on sale of shares (e.g. closed periods, etc.)

Exercise gain from non-qualified Options

How is your exercise gain treated?

- The below comments apply if:
  - you were granted Datadog, Inc. non-qualified Options before you joined Datadog France, or
  - you were granted non-qualified Options before July 2015
- Gains derived from exercise of non-qualified Options are treated as **employment income** and are processed through pay slip
- **Taxable event:** issuance of the underlying shares upon the exercise of the Options
- **Taxable basis:** at the time of exercise, you realize an **exercise gain** corresponding to the difference between the fair market value of the share on the date of exercise and the exercise price you pay (same method as for calculating the exercise gain derived from qualified Options)

How is your exercise gain taxed?

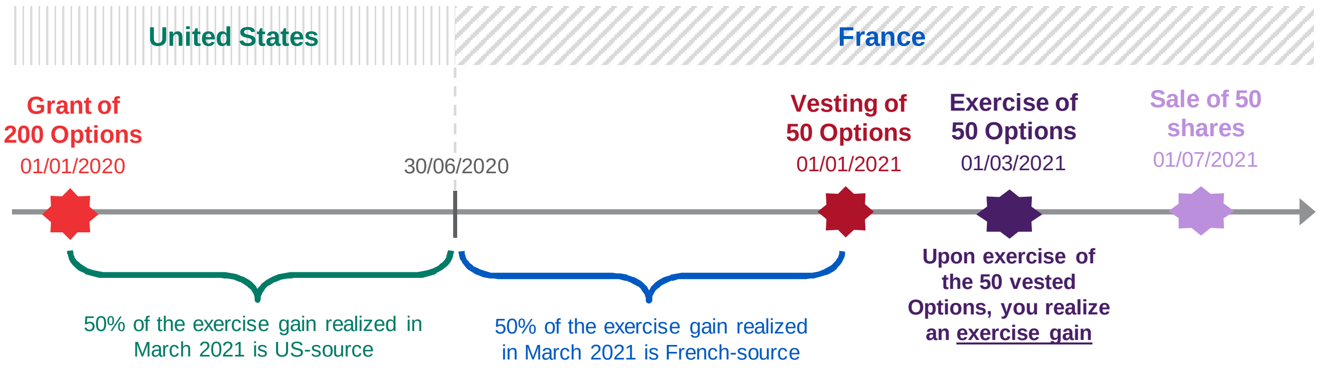
- **Social security contributions:** up to approx. 23% (of which 20% is tax deductible) withheld through your pay slip
- **Income tax:**
  - Annual income tax at progressive rates up to 45%
  - Your employer will withhold income tax through your pay slip on the exercise gain*
- **Surtax on high income:** a surtax of 3% applies to all income between €250,000 and €500,000 for single taxpayers (€500,000 and €1,000,000 for joint taxpayers), and 4% to income exceeding €500,000 for single taxpayers (€1,000,000 for joint taxpayers). The surtax applies to all income, but it is possible to obtain a surtax reduction under certain circumstances

**Please note that withholding of income tax is made based on a tax rate communicated by the tax authorities to your employer and that this rate does not always take into account your effective tax rates applicable for the year of exercise. You may have to pay a balance of taxes the year following the exercise or you may be reimbursed by the tax authorities if the withholding was in excess or below of the amount of taxes finally due based on the relevant application of the tax progressive rates for the year of exercise.*

Exercise gain from non-qualified Options

Treatment of your exercise gain in case of mobility

Simplified example: a Datadog employee who resided in the US at the time of grant of 200 Options in January 2020 and who resided and worked in France as from June 2020, exercised 50 Options in March 2021



General process of taxation in France:

1) All income (French and foreign source) of a French resident employee is taxed through his/her French annual income tax return (unless application of an exemption).
2) According to applicable double tax treaty, if any, foreign source income (i.e. here the US portion of your exercise gain) will be re-processed through the annual income tax return to benefit, for example, from a tax credit (where applicable) (see slide 57-58).
3) Only income effectively taxable in France is subject to French withholding income tax. Therefore, foreign income benefiting from a tax credit equal to the French tax or benefiting from an income tax exemption in France (and taken into account for the computation of the effective rate) must be excluded, in principle, from the taxable basis of the withholding income tax.

You should consult with an appropriate professional advisor as to how the tax or other laws in the different countries apply to your specific situation and what are your related reporting obligations

Exercise gain from non-qualified Options

Reporting online

The amount of your exercise gain realized in 2021 is in principle included in your total taxable salary reported by your employer during 2021. The amount should already be reported on your pre-filed income tax return.

Where to find the information?

You will need to ensure that the total amount of taxable salaries reported corresponds to the amount of taxable salaries on your 2021 pay slips.

Reporting your exercise gain

The amount of the exercise gain will be reported in box 1AJ or 1BJ (filer 1 or 2) with all taxable salaries received during 2021. Make sure that this amount corresponds to the total amount of taxable salaries received in 2021. If necessary, you can modify this amount (see next slide).

Exercise gain from non-qualified Options

Reporting online: correct the pre-filed amount

If the amount was not reported correctly, you can modify the salaries amount to add the amount of your exercise gain.

Adjustment of the amount of salaries reported

Click on the pen next to the 1AJ or 1BJ box. A pop-up window will open for you to report any taxable amount that may not have been reported correctly.

Traitements et salaires connus

Numéro SIRET *	Nom du collecteur (employeur, caisse de retraite...)	Montant du revenu Imposable	Abattement forfaitaire *Assistants maternels/familiaux, journalistes*	Revenus d'heures supplémentaires exonérées	Montant de la retenue à la source
	TOTAL du montant à reporter :				

Capital gain/loss

How is your capital gain/loss determined?

The **capital gain/loss** is determined as follows:

Sale proceeds converted into euro using the exchange rate published by *Banque de France* on the date of sale*

–

Fair market value of the one share on the date of exercise converted into euro at exercise date* (including brokerage fees when applicable)

x

Number of shares sold

What happens in the event of a capital loss upon sale of shares?

If the sale price of the shares is less than the fair market value of the shares at exercise, you will realize a **capital loss**.

The capital loss realized in 2021 **can be offset against** your other capital gains of 2021, or carried-forward during the next 10 years, but not over the exercise gain which is included into the taxable salaries.

*https://www.banque-france.fr/statistiques/taux-et-cours/les-taux-de-change-salle-des-marches/parites-quotidiennes

Capital gain/loss

Please refer to slides 19 to 25 for reporting process of your capital gain (if any)

What is the taxable regime of your capital gain/loss?

Reminder: possibility to offset the eventual capital loss (see previous slide).

	Capital Gain
Income Tax *(surtax on high income excluded)*	Flat tax at **12.8%** or possible election* for the progressive income tax rates (up to **45%**) (rebate available for shares acquired before January 1, 2018**)
Surtax on high income	**3%/4%** surtax on high income***
Social taxes or contributions	**17.2%** (6.8% being tax deductible in the year of payment only if option for progressive income tax rates)
Overall taxation (surtax on high income excluded)	**30%** (unless option for progressive income tax and likely a more favorable combined rate)

**Please note that such an election triggers consequences on taxation of other income, i.e., the election, when made, would apply to all financial income, not allowing taxpayers to elect for it to apply to certain income only.*
***If you opted for the progressive income tax, certain allowances may remain available for shares you may have acquired before 1 January 2018, for income tax purposes (not social tax), provided certain conditions are met.*
**** See slide 13.*

RSUs

Non-qualified RSUs vs. qualified RSUs

Non-qualified RSUs

Grant were made under a foreign Plan which was not amended to comply with the conditions set by the French commercial code

It relates to grants of non-qualified RSUs made by Datadog, Inc. to participants who were taxable abroad

→ **Tax and social security regime identical to that which applies to employment income processed through pay slip**

There are two taxable events:

- a first one on the **vesting date/delivery date of the shares**, and
- a second one on the **date of sale of the shares**

DATADOG

Qualified RSUs

Grant conditions are compliant with requirements set by French law (in particular, minimum vesting and holding periods)

It relates to qualified RSUs granted by Datadog, Inc. to French participants as from November 2019

→ **Specific tax and social security regime**

- Under French law, different regimes may apply to French qualified RSUs depending on the date shareholders approved the Plan under which these RSUs are granted
- **Datadog RSUs are granted pursuant to a plan approved by a shareholders' decision given after 1 January 2018**

A single taxable event on the **date of sale of the shares**

Please carefully review the grant documentation provided to you at the time of the grant of your RSUs to review the nature of your awards (French qualified or not), the vesting schedule, the restrictions on sale of shares (e.g. closed periods, etc.)

3

French qualified RSUs

Qualified RSUs

Qualified RSUs

Grant conditions are compliant with requirements set by French law (in particular, minimum vesting and holding periods)

It relates to qualified RSUs granted by Datadog, Inc. to French participants as from November 2019

→ **Specific tax and social security regime**

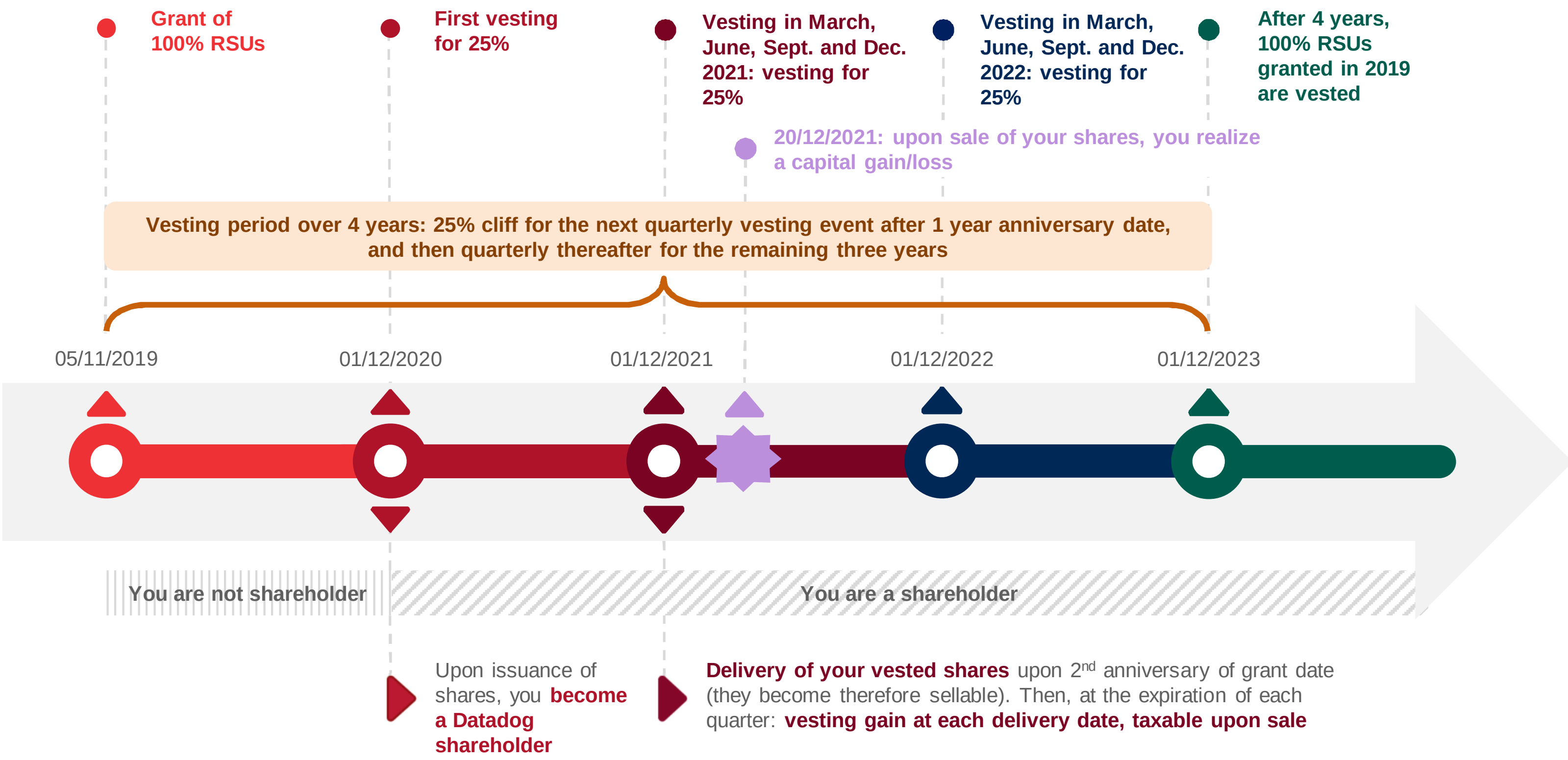
- Under French law, different regimes may apply to French qualified RSUs depending on the date shareholders approved the Plan under which these RSUs are granted
- **Datadog RSUs are granted pursuant to a plan approved by a shareholders' decision given after 1 January 2018**

A single taxable event on the **date of sale of the shares**

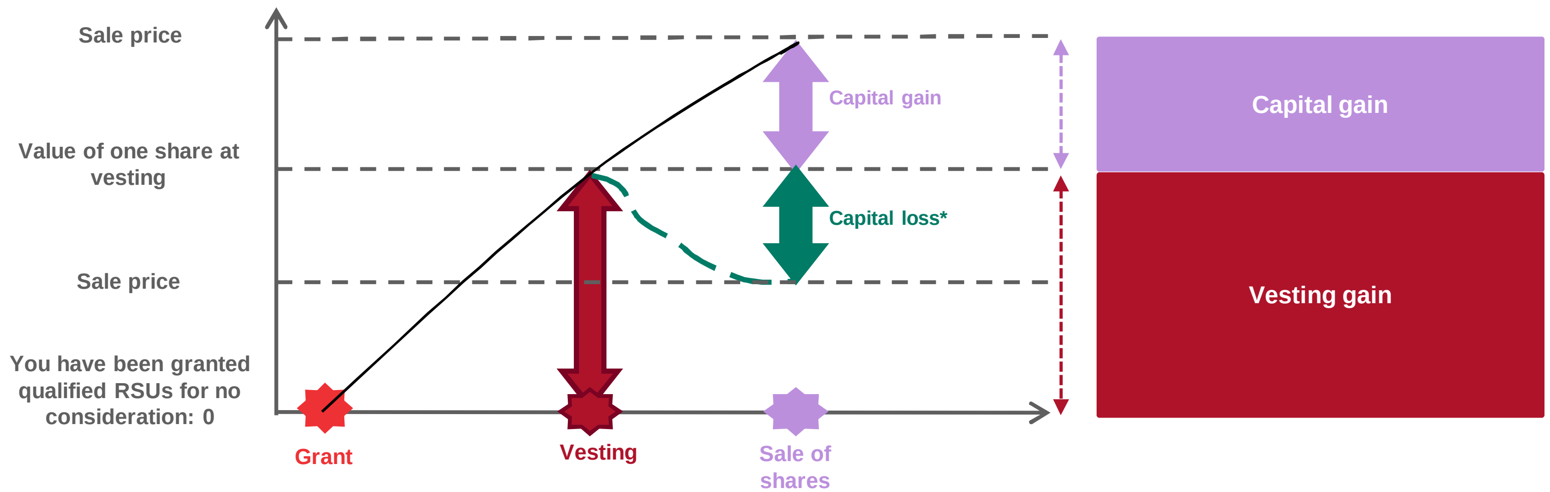
DATADOG

Please carefully review the grant documentation provided to you at the time of the grant of your RSUs to review the nature of your awards (French qualified or not), the vesting schedule, the restrictions on sale of shares (e.g. closed periods, etc.)

Vesting schedule of Datadog qualified RSUs



Gains from Datadog qualified RSUs



The taxable event is the <u>sale of the shares</u>. For the year of the sale of the shares, you will be subject to tax on both:

1) **Vesting gain:** the fair market value of one share at vesting/issuance of the shares
2) **Capital gain:** the difference between the sale price and the value of one share at vesting/issuance of the shares
3) **Capital loss:** in case the sale price is less than the value of one share at vesting, you realize a capital loss from a tax perspective

Please note that you will have to compute yourself the vesting gain and capital gain/loss as many time as necessary. See in the following slides for details of the calculations

Vesting gain from qualified RSUs

How is your vesting gain determined?

The taxable **vesting gain** is determined as follows:

Fair market value of one share at vesting/issuance of the share converted into euro using the exchange rate published by *Banque de France* on the vesting/issuance date*

x

Number of RSUs vested

Example of computation of a vesting gain

Qualified RSUs were granted to eligible French participants on 5 November 2019 and the first vesting took place on 1 December 2020. The vested shares could not be sold before the 2nd anniversary of the grant date.

	Vesting on 01/12/2020	
	Value of one share on 01/12/2020 in $	$ 95,67
	Exchange rate on 01/12/2020	1,1968
A	Value of one share on 01/12/2020 in €	79,94 €
B	Number of RSUs vested	30
*A*B*	**Vesting gain**	**2 398 €**

https://www.banque-france.fr/statistiques/taux-et-cours/les-taux-de-change-salle-des-marches/parites-quotidiennes – also review with your 2021 individual statement

Vesting gain from qualified RSUs

What is the taxable regime of your vesting gain?

The regime described below is the regime applicable to vesting gains derived from RSUs granted pursuant to a Plan approved by a shareholders’ decision as from 1 January 2018

	Taxation at the time of the sale of the shares	
	Portion of vesting gain < 300,000 €	**Portion of vesting gain > 300,000 €**
Income tax	• Income tax on vesting gain at progressive rates up to **45%** • Automatic application of a 50% rebate (no condition for holding period)	Income tax on vesting gain at progressive rates up to **45%** (no rebate)
Surtax on high income	**3%/4%** surtax on high income when all income (including vesting gain) exceed certain thresholds*	
Social taxes/contributions	**17.2%** social taxes on entire vesting gain of which 3.4% is tax deductible	**9.7%** social taxes of which approx. 6.8% is tax deductible + **10%** employee specific social contribution
Overall taxation (surtax on high income excluded)	Up to 38.17% (approx.)	Up to 61.64% (approx.)

**A surtax of 3% applies to all income between €250,000 and €500,000 for single taxpayers (€500,000 and €1,000,000 for joint taxpayers), and 4% to income exceeding €500,000 for single taxpayers (€1,000,000 for joint taxpayers). The surtax applies to all income, but it is possible to obtain a surtax reduction under certain circumstances.*

Vesting gain from qualified RSUs

Reporting on Form No. 2042 C

Please see below for illustration, the amount of the vesting gain computed in slide 40 as it should be reported.

VOS REVENUS

SALAIRES, GAINS DE LEVÉE D'OPTIONS

Notice

Rabais excédentaire sur options sur titres	1TP	
Gains de levée d'options attribuées à compter du 28.9.2012 ; gains d'acquisition d'actions gratuites attribuées à compter du 28.9.2012 sur décision prise au plus tard le 7.8.2015 ; gains d'acquisition d'actions gratuites attribuées sur décision prise à compter du 31.12.2016 pour leur fraction excédant 300 000 €	1TT	
Gains d'acquisition d'actions gratuites attribuées sur décision prise du 8.8.2015 au 30.12.2016 ; gains d'acquisition d'actions gratuites attribuées sur décision prise à compter du 31.12.2016 pour leur fraction n'excédant pas 300 000 €		
- gain imposable *Après abattement*	1TZ	2398
- abattement pour durée de détention	1UZ	
- abattement de 50 %	1WZ	
- abattement fixe *Départ à la retraite d'un dirigeant de PME*	1VZ	

1TT: the portion of your vesting gain, if any, exceeding 300K€ should have been reported there

1TZ: Complete with the amount of your <u>net</u> taxable vesting gain

Capital loss, (if any) realized at sale, **will be offset against the vesting gain to reduce it**. You will report here only the net taxable vesting gain, i.e. after deduction of the capital loss (if any).

<u>Note</u>: the individual statement provided to you at the time of the vesting of RSUs must be kept in your records and provided to the French tax authorities upon request.

Capital gain/loss

How is your capital gain/loss determined?

The **capital gain/loss** is determined as follows:

Sale proceeds converted into euro using the exchange rate published by *Banque de France* on the date of sale*

–

Fair market value of the one share at vesting/issuance of the shares converted into euro at vesting/issuance of the shares* (including brokerage fees when applicable)

x

Number of shares sold

Example of computation of a capital gain

	Sale of 30 shares on 20/12/2021	
	Sale price of one share in $	$ 164,38
	Exchange rate on 20/12/2021	1,1273
C	Sale price of one share in €	146 €
A	Value of one share at vesting date on 01/12/2020 in €	79,94 €
B	Number of shares sold	30
*(C-A)*B*	**Capital gain**	**1 976 €**

https://www.banque-france.fr/statistiques/taux-et-cours/les-taux-de-change-salle-des-marches/parites-quotidiennes

Capital gain/loss

What is the taxable regime of your capital gain/loss?

	Capital Gain
Income tax	Flat tax at **12.8%** or possible election* for the progressive income tax rates (up to **45%**) (rebate available only for shares acquired before January 1, 2018**)
Surtax on high income	**3%/4%** surtax on high income***
Social taxes or contributions	**17.2%** (6.8% being tax deductible in the year of payment only if option for progressive income tax rates)
Overall taxation (surtax on high income excluded)	**30%** (unless option for progressive income tax and likely a more favorable combined rate)

**Please note that such an election triggers consequences on taxation of other income, i.e., the election, when made, would apply to all financial income, not allowing taxpayers to elect for it to apply to certain income only.*
***If you opted for the progressive income tax, certain allowances may remain available for shares you may have acquired before 1 January 2018, for income tax purposes (not social tax), provided certain conditions are met.*
**** See slide 37.*

What happens in the event of a capital loss upon sale of shares?

If the sale price of the shares is less than the fair market value of the shares at exercise, you will realize a **capital loss**.

The capital loss realized in 2021 **can be offset against the vesting gain to reduce it**.

Please refer to slides 19 to 25 for reporting process of your capital gain (if any)

4

French non-qualified RSUs

Non-qualified RSUs

Non-qualified RSUs

Grant were made under a foreign Plan which was not amended to comply with the conditions set by the French commercial code

It relates to grants of non-qualified RSUs made by Datadog, Inc. to participants who were taxable abroad

→ **Tax and social security regime identical to that which applies to employment income processed through pay slip**

There are two taxable events:

- a first one on the **vesting date/delivery date of the shares**, and
- a second one on the **date of sale of the shares**

DATADOG

Please carefully review the grant documentation provided to you at the time of the grant of your RSUs to review the nature of your awards (French qualified or not), the vesting schedule, the restrictions on sale of shares (e.g. closed periods, etc.)

Vesting gain from non-qualified RSUs

How is your vesting gain treated?

- Gains derived from vesting of non-qualified RSUs are treated as **employment income**, processed through pay slip (as gains derived from non-qualified Options)

- **Taxable event:** issuance of the underlying shares upon vesting of the RSUs

- **Taxable basis:** at the time of vesting, you realize a **vesting gain** corresponding to the fair market value of one share on the date of vesting/issuance of the shares multiplied by the number of shares vested (same method as for calculating the vesting gain derived from qualified RSUs)

How is your vesting gain taxed?

- **Social security contributions:** up to approx. 23% (of which 20% is tax deductible) withheld through your pay slip

- **Income tax:**
  - Annual income tax at progressive rates up to 45%
  - Your employer will withhold income tax through your pay slip on the exercise gain*

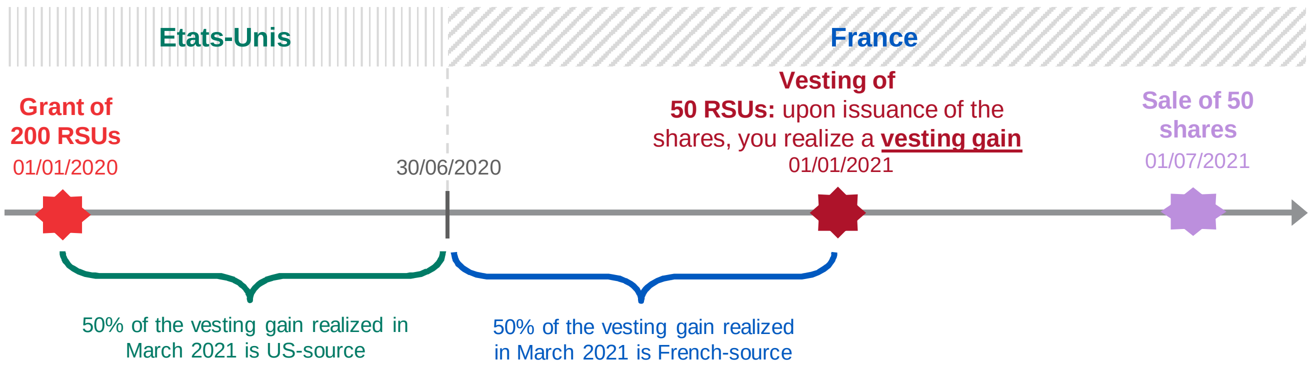
- **Surtax on high income:** a surtax of 3% applies to all income between €250,000 and €500,000 for single taxpayers (€500,000 and €1,000,000 for joint taxpayers), and 4% to income exceeding €500,000 for single taxpayers (€1,000,000 for joint taxpayers). The surtax applies to all income, but it is possible to obtain a surtax reduction under certain circumstances

**Please note that withholding of income tax is made based on a tax rate communicated by the tax authorities to your employer and that this rate does not always take into account your effective tax rates applicable for the year of exercise. You may have to pay a balance of taxes the year following the exercise or you may be reimbursed by the tax authorities, if the withholding was in excess or below of the amount of taxes finally due based on the relevant application of the tax progressive rates for the year of exercise.*

Vesting gain from non-qualified RSUs

Treatment of your vesting gain due to mobility

Simplified example: a Datadog employee who resided in the US at the time of grant of 200 RSUs in January 2020 and who resides in France as from June 2020, have vested 50 RSUs in March 2021



General process of taxation in France:

1) All income (French and foreign source) of a French resident employee is taxed through his/her French annual income tax return (unless application of an exemption)
2) According to applicable double tax treaty, if any, foreign source income (i.e. here the US portion of your vesting gain) will be re-processed through the annual income tax return to benefit, for example, from a tax credit (where applicable) (see slide 57-58)
3) Only income effectively taxable in France is subject to French withholding income tax. Therefore, foreign income benefiting from a tax credit equal to the French tax or benefiting from an income tax exemption in France (and taken into account for the computation of the effective rate) must be excluded, in principle, from the taxable basis of the withholding income tax

You should consult with an appropriate professional advisor as to how the tax or other laws in the different countries apply to your specific situation and what are your related reporting obligations

Vesting gain from non-qualified RSUs

Reporting online

The amount of your vesting gain realized in 2021 is in principle included in your total taxable salary reported by your employer during 2021. The amount should already be reported on your pre-filed income tax return.

Where to find the information?

You will need to ensure that the total amount of taxable salaries reported corresponds to the amount of taxable salaries on your 2021 pay slips.

Reporting your vesting gain

The amount of the vesting gain will be reported in box 1AJ or 1BJ (filer 1 or 2) with all taxable salaries received during 2021. Make sure that this amount corresponds to the total amount of taxable salaries received in 2021. If necessary, you can change this amount (see next slide).


VOS REVENUS

TRAITEMENTS, SALAIRES

Notice

Traitements et salaires connus 1AJ 1BJ

Vesting gain from non-qualified RSUs

Reporting online: correct the pre-filed amount

If the amount was not reported correctly, you can adjust the salaries amount to add the amount of your vesting gain.

Adjustment of the amount of salaries reported

Click on the pen next to the 1AJ or 1BJ box. A pop-up window will open for you to report any taxable amount that may not have been reported correctly.

Traitements et salaires connus

Numéro SIRET *	Nom du collecteur (employeur, caisse de retraite...)	Montant du revenu Imposable	Abattement forfaitaire *Assistants maternels/familiaux, journalistes*	Revenus d'heures supplémentaires exonérées	Montant de la retenue à la source
	TOTAL du montant à reporter :				

Capital gain/loss

How is your capital gain/loss determined?

The **capital gain/loss** is determined as follows:

Sale proceeds converted into euro using the exchange rate published by *Banque de France* on the date of sale*

–

Fair market value of the one share on the date of exercise converted into euro at exercise date* (including brokerage fees when applicable)

x

Number of shares sold

What happens in the event of a capital loss upon sale of shares?

If the sale price of the shares is less than the fair market value of the shares at exercise, you will realize a **capital loss**.

The capital loss realized in 2021 **can be offset against** your other capital gains of 2021, or carried-forward during the next 10 years, **but not over the vesting gain which is included into the taxable salaries**.

*https://www.banque-france.fr/statistiques/taux-et-cours/les-taux-de-change-salle-des-marches/parites-quotidiennes

Capital gain/loss

Please refer to slides 19 to 25 for reporting process of your capital gain (if any)

What is the taxable regime of your capital gain/loss?

Reminder: possibility to offset available capital loss (see previous slide).

	Capital Gain
Income Tax *(surtax on high income excluded)*	Flat tax at **12.8%** or possible election* for the progressive income tax rates (up to **45%**) (rebate available for shares acquired before January 1, 2018**)
Surtax on high income	**3%/4%** surtax on high income***
Social taxes or contributions	**17.2%** (6.8% being tax deductible in the year of payment only if option for progressive income tax rates)
Overall taxation (surtax on high income excluded)	**30%** (unless option for progressive income tax and likely a more favorable combined rate)

**Please note that such an election triggers consequences on taxation of other income, i.e., the election, when made, would apply to all financial income, not allowing taxpayers to elect for it to apply to certain income only.*
***If you opted for the progressive income tax, certain allowances may remain available for shares you may have acquired before 1 January 2018, for income tax purposes (not social tax), provided certain conditions are met.*
**** See slide 17.*

5

Gains from the ESPP

Gains from the ESPP

Entitlement resulting from your enrollment to Datadog ESPP

The Datadog ESPP voluntary program allows eligible employees of Datadog to purchase Datadog, Inc. shares directly from Datadog (and not on the stock market). Purchases of shares are funded by contributions of each participant to the ESPP corresponding to a percentage of the remuneration levied from the paycheks of the participant.

Eligible employees may purchase shares with a **15% discount** during offering period as defined in the ESPP.

What are the taxable gains from Datadog ESPP?

There are **two taxable events, each giving rise to the taxation of a gain**:

1) <u>Purchase of shares</u>:

- At the time of purchase, you realize a gain corresponding to a « **discount** » on the purchase price equal to the difference between the fair market value of one share at purchase date and the discounted purchase price you effectively paid, which qualifies as a benefit-in-kind treated as salary income.
- **If you acquired shares upon the ESPP during 2021, the discount is a taxable employment income that will be reported 2022 French income tax return with the other 2021 income** (see next slide).

2) <u>Sale of shares</u>:

- At the time of sale, you may realize a **capital gain/loss** corresponding to the difference between sale proceeds and the fair market value of the shares at sale date.
- **If you sold shares during 2021, the capital gain/loss will have to be reported in your 2022 French income tax return with the other 2021 income tax** (see slides 18 to 25 for taxation and reporting modalities).

Gains from the ESPP

What is the social security and tax regime of the discount?

Through the pay slip: the discount is included in the pay slip of the month following the purchase of shares

Social security treatment of the discount

- Withholding of social security contributions from the gross base salary (including discount) at a maximum rate of up 23% for employee contributions (of which 20% is tax deductible)

Tax treatment of the discount

- Income tax through withholding tax levied at employee tax rate as provided to the employer by the tax authorities

Through the French annual income tax return: the discount is included in the taxable salary

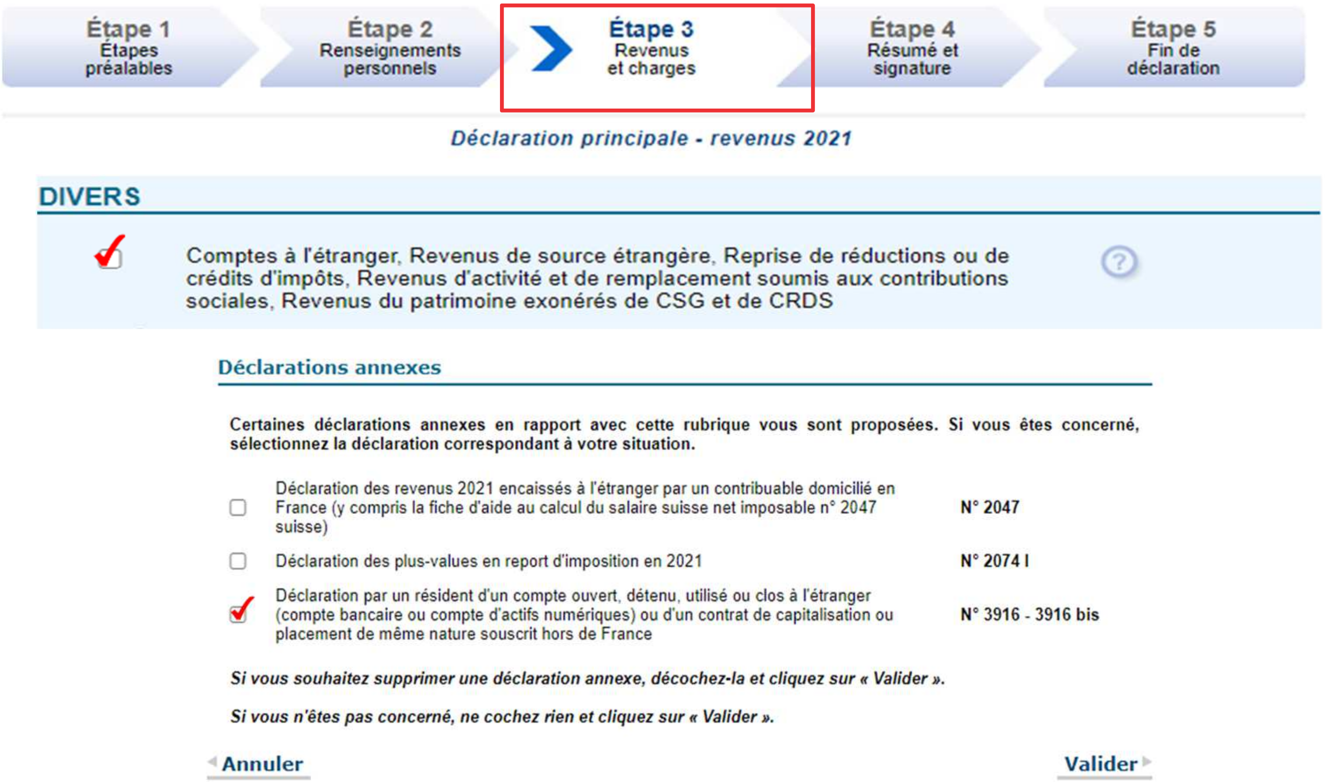
- Obligation to report all taxable income for the concerned year and notably the total amount of the net taxable salary (as reported by the employer) which includes the taxable discount.
- Calculation of the final tax due (progressive scale up to 45%, excluding surtax on high income, if any) by the tax authorities and, if necessary, either the taxpayer will be liable for a possible income tax balance in addition to the withholding income tax already paid, or will benefit from a refund.

6

Foreign bank and shares account reporting

Income tax return on 2021 income

Preliminary step for online reporting



Disclosure of foreign bank or shares account

You have to get all the necessary information from E*TRADE

Reporting

- Tax form n° 3916 – 3916 bis must be filed for each account opened, held, used or closed abroad during all or part of 2021
- You must also tick the box **8UU** in your tax form n° 2042 (which may be pre-checked)

Penalties

Non-disclosure of foreign account may trigger the following penalties:

- A flat penalty of 1,500€ (or 10,000€ if the account is held in a Non-Cooperative State or Territory) for each undisclosed account only when no French tax is due.
- Increase of 80% on the taxes due in with respect to income credited on the undisclosed account which were not included in the tax basis.

Reporting on Form No. 3916 – 3916 bis

Step 1: as mentioned in the previous slide, you have to tick the specific form within « Déclarations annexes », then you have to confirm your identity and specify the number of foreign accounts you want to disclose

Step 2: you have to tick the nature of the foreign account disclosed

2- NATURE DU COMPTE ouvert, détenu, utilisé ou clos à l'étranger OU DU CONTRAT D'ASSURANCE-VIE souscrit hors de France, modifié ou dénoué
(cochez la case utile)

- ✔ Compte bancaire — *Bank account*
- ○ Compte d'actifs numériques — *Digital asset account*
- ○ Contrat d'assurance-vie — *Capitalization contract/insurance life contract*

Disclosure of foreign bank or shares account

You have to get all the necessary information from E*Trade

Step 3: report information about your E*Trade account – Only information (*) have to be completed (if not, it is impossible to validate the reporting), however we recommend to report all information available

3- INFORMATIONS RELATIVES AU COMPTE BANCAIRE ouvert, détenu, utilisé ou clos à l'étranger

Désignation du compte bancaire ouvert, détenu, utilisé ou clos à l'étranger :

Numéro du compte (*)
Account number

Caractéristiques du compte (*)
Characteric of the account

- ○ Compte courant *Current account*
- ○ Compte d'épargne *Savings account*
- ✔ Autres *Other (E*Trade is a securities account)*

Date d'ouverture *(au format jj/mm/aaaa)* (*)
Opening date

Date de fermeture *(au format jj/mm/aaaa)*
Closing date

Désignation de l'organisme gestionnaire du compte (*)
Name of the broker

Adresse de l'organisme gestionnaire du compte :
Address of the broker

Pays (*)
Country
-Sélectionnez un pays -

Complément d'adresse
Additional address

Rue
Street

Indicatif pays - Code postal - Ville
Country code – Postal code - City

Modalités de détention du compte bancaire ouvert, détenu, utilisé ou clos à l'étranger : ***(cochez la case utile)***

Un des membres de votre foyer fiscal est :

- ✔ Titulaire en propre du compte bancaire à l'étranger
  Own holder of the foreign bank account
- ○ Bénéficiaire d'une procuration sur le compte bancaire à l'étranger
  Beneficiary of a power of attorney on the bank account abroad

Tick the way you are holding the account « Own holder »

Usage du compte bancaire ouvert, détenu, utilisé ou clos à l'étranger

Veuillez préciser l'usage de ce compte bancaire :

Tick the use of the account « Personal use of the account »

- ✔ Usage personnel exclusivement *(personne physique n'agissant pas en qualité d'exploitant d'une activité donnant lieu à déclaration spécifique de résultats BNC, BIC ou BA ou équivalent)*
  Personal use exclusively (individual person not acting in the capacity of operator of an activity giving rise to specific return of the results)
- ○ Usage professionnel exclusivement *(personne physique agissant en qualité d'exploitant d'une activité donnant lieu à déclaration spécifique de résultats BNC, BIC ou BA ou équivalent)*
  Professional use exclusively (individual person acting in the capacity of operator of an activity giving rise to specific return of the results
- ○ Usage mixte personnel et professionnel
  Mixed personnal and professional use

7

Mobile employees

Equity awards and mobile employees

General mechanic

Why does employee mobility impact the tax treatment of the employee equity award gains?

- A French tax resident is liable to personal income tax (PIT) in France on his/her worldwide income, *i.e.* income from French and foreign sources.
- The employee equity award gains are included in his/her taxable income.
- Depending on the applicable tax treaty, the taxpayer may be able to benefit from a tax credit (equivalent to the foreign income tax or equal to the French income tax) or from an exemption.
- Only income effectively taxable in France is subject to French withholding income tax. Therefore, foreign income benefiting from a tax credit equal to the French tax or benefiting from an income tax exemption in France (taken into account for the computation of the effective rate) must be excluded, in principle, from the taxable basis of the withholding income tax.

Determination of the gain taxable in France

- Grant of Options and of RSUs may be for past or future professional activities (or both).
- The grant is for a future activity if the vesting depends on the beneficiary's presence in the group as an employee.
- In such a case, depending on the vesting schedule, the gain from the grant of Options/RSUs may be for a presence as employee over several years and therefore possibly in several countries.
- Therefore, if during the performance of his/her employment contract, the beneficiary has a remuneration that is taxable in one country and then taxable in another country, it will be necessary to determine the part of the gain from the Options/RSUs taxable in each country*.

Such general mechanic applies to qualified and non-qualified gains of Options/RSUs, to employees having received such awards whereas they were tax residents abroad and as such taxable abroad, and also to employees that were French tax residents and as such taxable in France that were transferred abroad.

**such sourcing is applicable only as regards PIT, not for the social contributions.*

Equity awards and mobile employees

Breakdown of the taxation of the exercise gain/vesting gain

Formula: Total amount of the gain realized x $\dfrac{\text{Number of days worked and taxable in the relevant state } \mathbf{(1)}}{\text{Total number of days over the reference period } \mathbf{(2)}}$

(1) In practice, this computation is made on a calendar basis (365 days per year) with reference to the date on which an employee's assignment in the relevant State takes effect or, in any case, to the date as from which the remuneration of the employee becomes taxable in France.

(2) Granting of Options/RSUs will require in general the presence as employee in the future. The grant documentation, and in particular the grant agreement, will set out the vesting periods at the end of which the Options become exercisable and the RSUs are converted into shares. It is the vesting schedule that will determine the taxing periods in a particular country. The reference period runs from the grant date to the day the beneficiary acquires the right to exercise the Options or definitively acquires the underlying shares of the RSUs. To be checked for each grant: does the vesting depend on the presence of the employee? What about cases of accelerated vesting, if any?

Steps in order to determine the portion of the gain that is taxable in France and in the other country

- Step 1: allocation/sourcing of the exercise/vesting gain depending on the relevant country.
- Step 2: determination of the net taxable exercise/vesting gain and application of the allocation/sourcing.

Baker McKenzie.