Italy

Employment

Labor Concerns

Employee entitlement claims are becoming more common. The risk of employee claims for additional benefits under an option plan can be reduced by having the employee agree to standard waiver and consent provisions.

Communications

The CONSOB (Italian Securities Commission) recommends that listed companies translate all plan documents into Italian to ensure that employees understand the terms of the grant. Employees should sign an agreement stating that they have read and accepted the terms of the option plan. In any event, if employees are not fluent in English, the option agreement should be translated into Italian. Any government filings must be in Italian.

Regulatory

Securities Compliance

If the Issuer does not have securities listed on a regulated exchange in the EU, the grant and/or exercise of employee options in Italy may give rise to a requirement to publish a prospectus approved in the Issuer's Home Member State, unless one of the exemptions or exclusions in the Prospectus Directive is satisfied, e.g., there are fewer than 150 offerees in each Member State or the value of the securities being offered is less than €5m calculated within the EU, subject to certain conditions, having a total amount in the EU less than €100k. If the Issuer has securities listed on a regulated exchange in the EU, it will be required to publish summary information about the plan and the Stock offered to employees.

An Italian subsidiary or affiliate of the Issuer may validly serve as a "financial intermediary" for the securities, provided that it is a duly authorised "financial intermediary", including for purposes of a public offering taking place as a "door-to-door selling". However assuming, for instance, that the Italian subsidiary appointed to serve as "financial intermediary" for the securities is at the same time i) the employer of the individuals to which the securities are addressed and ii) such subject is already duly authorised to act as a "financial intermediary", it would be not necessary to fulfil also the specific requirements provided for the "door-to-door selling" given that this special regulation does not apply if the proposal for the purchase of the securities is carried out at the registered office of the company appointed for the offer of such securities. In order to benefit from the status of "financial intermediary", the Italian subsidiary should be either a SIM (*società di intermediazione mobiliare*), or a financial intermediary enrolled in the special register set forth by article 107 of Legislative Decree no. 395 of 1 September 1993 (Consolidated Law on Banking, or TUB), or a bank.

Foreign Exchange

Employees may have reporting obligations with respect to foreign Stock held abroad. The parent company may have reporting requirements depending on the total value of Stock issued in Italy.

Data Protection

Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data protection requirements. Generally, an employer must register with Italy's data protection authorities prior to processing employees' personal data.

Tax

Employee Tax Treatment

Options are subject to tax on the spread at exercise unless granted under the tax-favored program. Capital gains tax applies on the gain at sale.

Social Insurance Contributions

Social insurance contributions are required on the spread at exercise unless options are granted under the tax-favored plan or pursuant to a stock option plan. For the employer, social insurance costs for the benefits under an option plan can be significant.

Tax-Favored Program	Income tax and social insurance obligations may be reduced under the tax-favored program, which is the broad-based grant program. Under a broad-based grant program, in general, the value of the shares does not constitute income from employment (and, therefore, it is not subject to income tax) up to an amount not exceeding €2,065.83 in the calendar year, provided that, inter alia, the shares are offered to all the employees and are not sold for at least three years.
Withholding and Reporting	Unless the Stock is offered through the tax-favored option plan, withholding and reporting are required.
Employer Tax Treatment	The availability of a deduction by the Subsidiary is unclear. A tax deduction may be available if the Subsidiary reimburses the Issuer for the cost of option plan benefits.