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Decree-Law n.23 of 8 April 2020

Urgent measures concerning access to credit and deferral of obligations for companies, as well as special powers in areas of strategic importance and as well as measures in the field of health and labour, extension of administrative and judicial deadlines.

(OJ N. 94 of 08-4-2020)

This is an overview of the main provisions of the Decree-Law providing liquidity support to businesses, mainly through the State's guarantee on loans/mortgages.

Its provisions fall into the following categories:

- Liquidity support to businesses through the State's guarantee on loans
- Measures to strengthen the Government's golden power and CONSOB's market oversight
- Postponement of tax payment deadlines
- Suspension of judicial proceedings
- Other measures, in the field of healthcare and subsidies for dismissed workers.

1. Liquidity support to businesses

a. State's guarantee (through SACE SpA) to assist loans taken by businesses from banks and other financial intermediaries

SACE SpA (Italy's export credit agency, which operates within the Cassa Depositi e Prestiti group) is empowered to assist with its guarantee loans of any kind (including mortgages) granted by banks and other financial intermediaries (national or international) within 31 December 2020. The overall amount that can be assisted by SACE is €200 billion, at least €30bn of which shall cover loans granted by banks to small and medium enterprises or professionals.

The loans will be assisted by SACE's guarantee under the following conditions:

- The loans are granted after the entry into force of this legislation and within 31 December 2020 and their duration does not exceed 6 years
- The borrowing company did not have non-performing exposure as of 31 December 2019
- The loan does not exceed 25% of the company's turnover in 2019 and does not exceed twice the costs of the company's personnel in 2019
- SACE's guarantee will cover capital, interest and other charges up to:
 - 90% of the loan if the borrowing company has less than 5,000 employees in Italy and has a turnover of less than €1.5 billion;
 - 80% of the loan if the borrowing company has more than 5,000 employees in Italy and has a turnover between €1.5 billion and €5 billion;
 - 70% of the loan if the borrowing company has a turnover of more than €5 billion.
- Loans granted to companies with less than 5,000 employees in Italy and a turnover of less than €1.5 billion will be assisted by SACE's guarantee merely upon the submission of the relevant request by the lending institution once the latter has approved the loan. Instead, loans granted to companies with a higher turnover will only be assisted by SACE's guarantee upon a decision taken by the Minister of the Economy and Finance, in consultation with the Minister of Economic Development, basing on the technical assessment made by SACE. The assessment will focus on the impact of the company on

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- employment levels in Italy its contribution to on strategic supply chains/critical infrastructures/technological development/logistic network.
- The following charges will be due for SACE's guarantee:
 - Small and medium enterprises will pay 25 basis points in year 1, 50 b.p. in years 2 and 3, 100 b.p. in years 4, 5 and 6
 - Other enterprises will pay 50 basis points in year 1, 100 b.p. in years 2 and 3, 200 b.p. in years 4, 5 and 6.
 - The cost of the loans assisted by SACE's guarantee shall be lower than the cost the bank would have applied for loans having the same characteristics but without SACE's guarantee
 - The borrowing company shall take the commitment:
 - not to distribute any dividend or buy back its own shares in 2020
 - to use the loan to cover the costs of personnel employed in Italy and to make investments in manufacturing facilities or other activities located in Italy
 - to manage any issue related to employment levels through agreements with the Unions
 - The lending institution shall prove that as a result of the loan granted to a borrowing business, the total exposure of that business vs. the lender is higher than it was on the date this legislation entered into force.

Any bond issued by SACE to cover its needs related to the above-mentioned guarantees will be assisted by the guarantee of the State – to this purpose, €1 billion will be allocated by the Ministry of Economy and Finance for the year 2020.

Please note that the implementation of these measures is conditional upon approval of the European Commission according to the rules on State aids; in any case the Minister of Economy and Finance will be empowered to amend these measures if and when the Temporary Framework adopted by the Commission concerning State aids is modified.

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b. Support to export and internationalisation of Italian businesses

SACE's obligations deriving from its insurance activity and guarantees on non-market risks will be taken over by the State by 90% (capital and interests), and by SACE by only 10%.

A dedicated Committee for public financial support to exporting companies, set up at the Ministry of Economy and Finance (chaired by the DG of the Treasury) will adopt, upon SACE's proposal, an annual plan laying down the total amount of operations that the Government and SACE plan to assist with their guarantee, its breakdown by geographic area and economic sector, and those operations that may only be assisted with the above-mentioned guarantees upon the scrutiny of the Ministry of Economy and Finance.

SACE is empowered to assist with its guarantee, up to a total exposure of €200 billion, the loans taken by businesses which are legally based in Italy, which will then be taken over by the State by 90%.

Specific measures are laid down on the guarantees given by SACE in the course of 2020 to operations in the cruise sector and in the defence sector.

c. Guarantee Fund for SMEs

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The provisions laid down by the mid-March Decree, enhancing the capacity of the Guarantee Fund for small and medium enterprises and empowering it to assist loans taken by SMEs from banks with the guarantee of the State are repealed and entirely replaced by this piece of legislation.

The Fund will receive an additional €1.729 billion funding (instead of €1.5 billion as laid down in the mid-March Decree).

Until 31 December 2020, the Fund will be empowered to assist with its guarantee 90% of any loan/mortgage taken from banks and other financial intermediaries by SMEs and other enterprises with less than 500 employees, up to a maximum amount of €5 million, provided that:

- The amount of the loan/mortgage is no more than twice the cost of the personnel in 2019 and no more than 25% the company's turnaround in 2019
- The loan/mortgage is taken to cover the operating costs plus any investment in the following 18 months (for SMEs) or 12 months (for other enterprises up to 499 employees)

The guarantee may be raised up to 100% of the loan if the consortium of collective credit guarantees (Confidi) provides reinsurance.

Under certain conditions, the guarantee may also be given to renegotiated loans (up to 80%, or up to 90% in Confidi provides reinsurance)

Upon the authorization of the European Commission, the Fund will instead assist with the State's guarantee 100% of new loans/mortgages granted by banks and other intermediaries to SMEs or professionals who can prove they have been harmed by the covid-19 epidemic (i.e. by the restrictions to economic activities to tackle it), provided that:

- The loan has a maximum duration of 6 years and the first payments are due no earlier than 2 years after the loan is granted
- The amount of the loan does not exceed 25% of the turnaround of the company/professional in 2019 and in any case does not exceed €25,000

The interest rates applying to the loans assisted by the State's guarantee shall not be higher than the rate applying to Italy's sovereign bonds with a maturity between 4 years and 7 months and 6 years and 6 months, plus the difference between banks' 5 years CDS and Italy's 5 years CDS, plus 0.20%.

Finally, any pending deadline associated with loans assisted with the guarantee of the State through the SME Guarantee Fund is extended by 3 months.

d. Other

Any deadline (expiring between 23 February 2020 and 31 December 2021) associated to arrangements with creditors for companies in bankruptcy or companies that are being restructured is extended by 6 months.

Also, the Civil Code provisions disciplining capital reduction and dissolution of companies are suspended until 31 December 2020

The Decree also clarifies that the provisions laid down by the mid-March Decree as regards the suspension of mortgages for homeowners, will also apply when the repayment has started less than 1 year ago (which was not previously the case).

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2. Measures to strengthen Golden Power and Consob stock market oversight

- **The scope of Golden Power was extended to** all the sectors listed in the EU Regulation establishing a framework for the screening of foreign direct investments into the Union which were not already covered by national legislation, namely **healthcare, water, food, raw materials, cybersecurity, media, data processing or storage, electoral infrastructure, sensitive facilities, artificial intelligence, robotics, semiconductors, quantum and nuclear technologies, nanotechnologies, biotechnologies, in addition to finance, credit, and insurance.**
- **The scope of Golden Power was also extended until 31 December 2020 to EU entities** acquiring equity in a national strategic company operating in the abovementioned sectors and resulting in its control or a dominant influence over it.
- **The Government is now empowered to resort to Golden Power on its own initiative even before the transaction is notified** by the concerned company in compliance with existing legislation.
- **The National Authority on Listed Companies and the Stock Market (Consob) may temporarily set a 5% threshold for notifications of equity participation in all listed companies regardless of their market value, with special regard for companies with a broad shareholder base.**

3. Tax and accounting measures

- The payment of income tax, additional regional and city taxes, VAT, and social security contributions is suspended in April 2020 and in May 2020:
 - for businesses and self-employed workers based in Italy whose revenues did not exceed €50 million in fiscal year 2019 and whose turnover fell by at least 33% in March 2020 compared to March 2019 and in April 2020 compared to April 2019;
 - for businesses and self-employed workers based in Italy whose revenues exceeded €50 million in fiscal year 2019 and whose turnover fell by at least 50% in March 2020 compared to March 2019 and in April 2020 compared to April 2019;
 - for businesses and self-employed workers incorporated after 31 March 2019;
 - for non-commercial entities, including voluntary organisations, recognised religious organisations, and all other non-profit organisations carrying out institutional activities of public interest.
- The payment of VAT is suspended in April 2020 and May 2020, regardless of the revenues in fiscal year 2020, for businesses and self-employed workers based in the Provinces of **Bergamo, Brescia, Cremona, Lodi, and Piacenza** whose turnover fell by at least 33% in March 2020 compared to March 2019 and in April 2020 compared to April 2019.
- The deferred payments must be made by 30 June 2020 or in no more than 5 equal instalments starting from June 2020.
- These provisions are with no prejudice to the already legislated suspension of the payments of income tax and social security contributions until May 2020 for national sports federations, sports promotion entities, sports associations and clubs. Their deferred payments must be made by 30 June 2020 or in no more than 5 equal instalments starting from June 2020.
- The payment of income tax on the revenues generated between 17 March 2020 and 31 May 2020 by businesses and self-employed workers based in Italy whose revenues did not exceed €400,000 in fiscal year 2019 are suspended, provided that in the previous

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month they did not incur any employee-related expenses. The deferred payments must be made by 31 July 2020 or in no more than 5 equal instalments starting from July 2020.

- The deadline for payments to the public administration, including social security contributions, due 20 March 2020 was postponed until 16 April 2020.
- The payment of stamp duties on electronic invoices of Q1 may be made by the deadline set for the payment of stamp duties on electronic invoices of Q2 if the total due amount does not exceed €250. The payment of stamp duties on electronic invoices of Q2 and Q3 may be made by the deadline set for the payment of stamp duties on electronic invoices of Q3 if the combined due amount does not exceed €250.
- The supply of medicines free of charge by companies to medical personnel is subject to a preferential tax regime.
- **The costs of up to €20,000 incurred by businesses and self-employed workers to buy individual protective equipment to limit the spread of COVID-19 in the workplace shall be subject to a 50% tax credit in fiscal year 2020, for a total combined amount across the country not exceeding €50 million.**
- During the national emergency period ending on 31 July 2020, Regional Governments are allowed to compensate public health units for the additional costs unforeseen by the existing agreements incurred for the management of the COVID-19 pandemic notwithstanding the spending limits provided for by the relevant legislation.
- The mandate of administrative bodies of public entities – excluding Regions, Autonomous Provinces, Provinces, Municipalities, Mountain Communities and their associations – which is set to end during the ongoing national emergency period ending on 31 July 2020 is extended until the end of said national emergency period.

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4. Extension of trial deadlines

- All hearings of civil and criminal proceedings are suspended until 11 May 2020. The deadline for any act in civil and criminal proceedings is postponed until 11 May 2020. The same rules apply to the Court of Auditors.
- Similarly, the deadline for any act in administrative proceedings is postponed until 15 May 2020.

5. Measures on health and labour

- Pending the approval of their new collective labour agreement, the salaries of general practitioners and paediatricians are raised in accordance with the guidelines adopted by the Regional Committee on Health, with a view to ensuring their availability, including remotely through digital platform to be purchased at their own expense, for the whole day so as to limit direct contact with patients. The same rules apply to professionals working in clinics.
- During the emergency period ending on 31 July 2020, the Italian Medicines Agency (AIFA) is authorised to access the data held by clinical facilities to improve coordination and analysis on medicines for COVID-19 patients. AIFA shall provide all relevant data to the Committee of Experts of the COVID-19 Unit of the Civil Protection Department.
- **The wage subsidies requested by employers for their employees laid off due to the economic consequences of the COVID-19 pandemic from 23 February 2020 for a period not exceeding 9 weeks can also be requested for employees hired between 24 February 2020 and 17 March 2020.**

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- **The Government will appoint a Special Commissioner of the National Agency for Regional Healthcare Services (AGENAS)** for the duration of the national emergency period ending on 31 July 2020. The Special Commissioner will be in charge of coordinating cooperation with Regional Governments in the enhancement of the healthcare network to cope with the COVID-19 pandemic. The appointment of the Special Commissioner is without prejudice to the competences of the Head of the Civil Protection Department.