

CIRCULAR
ADDITIONAL MEASURES APPROVED
BY THE ROYAL DECREE-LAW 8/2020, 17th OF MARCH, OF URGENT AND
EXTRAORDINARY MEASURES TO ADDRESS THE ECONOMIC AND SOCIAL
IMPACT OF COVID-19

Following the declaration of state of alarm, through the Royal Decree-Law 463/2020, of 14th of March, the Spanish Government has approved an initial package of measures aimed at securing and protecting different aspects of the Spanish economy. The Royal Decree-law tries to cover the direct consequences of the Coronavirus, with more or less success, and sets out the investment budget assigned to deal with the effects of this health crisis.

The Royal Decree-Law entered into force on the 18th of March 2020, and will remain in force until the 18th of April 2020, without prejudice of its extension, after a previous evaluation of the situation.

In line with our last Circular, at ARCO ABOGADOS Y ASESORES TRIBUTARIOS, S.L.P. we want to continue informing about the most relevant aspects of the new Royal Decree-Law, remarking, again, that this document is aimed at informing about an exceptional event and, consequently, is subject to any future arrangements and changes that may take place in order to deal with this crisis.

Below, you will find an explanation of the measures enacted by the Spanish Government, ordered by category.

I. MEASURES TO SUPPORT EMPLOYEES, FAMILIES AND VULNERABLE GROUPS

A. Promotion and financing of social services of the Administrations

The Spanish Government has authorised the use of the Contingency Fund, a credit supplement, included in a budget line, which will be allocated to finance the basic provisions of the social services of Autonomous Regions, Provincial Councils and Local Governments.

Furthermore, an Extraordinary Social Fund has been created, which will be distributed among the Autonomous Regions.

Concerning the budgetary surplus of the Local Governments for 2019, it can be allocated to financing the investment expenses of “Social Services and social promotion”, but subject to legal restrictions and following the guidelines of the Ministry of Finance.

B. Mortgage moratorium for the acquisition of the main residence

The mortgage moratorium is exclusively intended for the acquisition of the main residence. It is addressed to financially vulnerable citizens , an element that must be fulfilled by any individual who wants to benefit from this measure, (including borrowers and guarantors).

In this sense, articles 9 and 11 of the Royal Decree-Law set out the circumstances which prove the vulnerability, as well as the way to certify the subjective conditions. The situations deemed as vulnerable are the following:

- That the mortgage debtor becomes unemployed, as accredited by a certificate issued by the public entity managing the social benefits. In the event of self-employed workers ceasing their activity, they must provide a certificate issued by the Spanish tax authorities (“Agencia Estatal de Administración Tributaria” or “AEAT”), or the corresponding agency of the Autonomous Region, based on the declaration of cessation of activity provided.
- That the debtor, employer or professional, suffers a substantial loss of income, or a substantial drop in sales (at least 40%).
- That the total amount of income of the family unit does not exceed, in relation to the previous month, the threshold of three times the Public Indicator of Multiple Effects Income (IPREM). In this sense, corrective measures of the threshold are established in relation to the children, family members over 65 years or disabled members who are part of the family unit or depend on it.

- That the mortgage payment, including basic expenses and supplies, is higher than the 35% of the net income of the whole family unit.
- That the family unit has suffered a significant alteration on its economic circumstances, that is, when the part that the mortgage burden represents on the family income has multiplied by, at least, 1.3.

In addition, supporting documentation must be attached regarding the number of members of the family unit, degrees of disability, if applicable, and property ownership. Finally, a responsible declaration must be presented by the debtor regarding his compliance with the requirements.

In relation with the guarantors and mortgage holders who are not the borrower, provided that they are deemed as financially vulnerable, they can request that the entity, before claiming the guaranteed debt, exhaust the assets of the main debtor. In this sense, they can request it even if they had expressly renounced to the benefit of excuse in the contract.

The procedure to grant the moratorium shall start with a request to the creditor, which can be carried out from the day following the entry into force of the Royal Decree-Law until fifteen days after the end of its validity. Once requested, the creditor entity will proceed to its implementation within a maximum period of 15 days, informing the Bank of Spain of its existence and duration.

The concession of the moratorium implies the suspension of the mortgage debt (face value, capital repayment or interest payment) during the stipulated period, the non-application of the early maturity clause, and the non-accrual of interests, including moratoriums.

Finally, the Royal Decree-Law establishes a liability regime for damages for those who have been beneficiaries of the moratorium without meeting the requirements, or those who deliberately seek to position or maintain themselves in any of the financial vulnerability cases.

C. Guarantees in the provision and maintenance of supplies and services

Suppliers of electricity, natural gas and water may not suspend supplies to consumers with a vulnerable condition, severe vulnerability or at risk of social exclusion according to Royal

Decree 897/2017. In addition, the social bonus is automatically extended until September 15th, 2020.

On the other hand, certain dispositions related to the update systems of regulated prices are suspended, being in force the maximum prices established in the Resolutions of January 14, 2020 and December 23, 2019, of the General Management of Energy Policy and Mines.

The Government guarantees that the companies that provide electronic communications and telecommunications services will maintain the provision of their contracted services, not being able to suspend or interrupt them, except for reasons of integrity and security.

On the other hand, these providers are prohibited from carrying out extraordinary commercial campaigns for contracting services, when they require the portability of the numbering, to the extent that customers would need to visit the establishments, or the physical intervention at the customer's residence by the employees of the provider would be required. In this sense, all portability transactions that are not in progress are suspended, except force majeure.

D. Interruption of the period to return products purchased in person or online

The period for the return of purchases are suspended until the loss of validity of the Royal Decree-Law.

E. Other provisions

The validity of the National Identity Document is extended for one year.

II. EMPLOYMENT-RELATED MEASURES AND LIQUIDITY MEASURES RELATED TO EMPLOYEES FOR EMPLOYERS.

In the labour area, the Royal Decree-Law 8/2020 adopts in its Chapter I, support measures for employees, and in its Chapter III, in order to avoid redundancies, the Royal Decree adopts measures to make the temporary activity adjustment mechanisms more flexible.

The main labour measures approved by Royal Decree-Law 8/2020 are reported below.

A. Remote work.

The Royal Decree-Law opts for remote working and announces that a financing program for the corresponding material will be launched within the ACELERA PYME PROGRAM of the public company RED.ES.

In its article 5, the Royal Decree-Law establishes the preferential nature of remote working, urging employers to establish organization systems that permit the activity to be maintained through alternative mechanisms, particularly through remote working.

According to that article, the employers shall adopt the appropriate measures to fulfil the above-mentioned measures if this is technically and reasonably possible and if the necessary adaptation effort is proportionate.

In addition, in order to facilitate remote working, on an exceptional basis, it will be understood that the obligation to carry out the risk assessment is fulfilled, in the terms provided in the Occupational Risk Prevention Law, through a self-assessment carried out voluntarily by the employee himself.

In our opinion, article 5 of Royal Decree-Law 8/2020 is somewhat ambiguous and will rise different interpretations, since the only guidance provided by the in this regard is that employers shall adopt these measures in cases where it is technically and reasonably possible and the adaptation effort is not disproportionate. None of these terms is defined.

However, we must not forget that the Occupational Risk Prevention Law establishes the employer's obligation to guarantee the safety and health of the workers at his service, with its corresponding sanctioning regime.

As this is an extraordinary situation, without any precedents, we are currently not able to foresee in which cases the sanctioning regime of the Occupational Risk Prevention Law could apply.

B. Right of adaptation and reduction of working hours.

Employees who prove to have care duties with respect to their spouses or unmarried partners, as well as with respect to relatives up to the second degree of consanguinity, will have the right to ask for the adaptation and / or the reduction of their working hours, when exceptional circumstances related to COVID-19 occur.

Said exceptional circumstances shall be understood to concur in the following cases:

- When the presence of the employee is necessary to take care of a family member who, for reasons of age, illness or disability, needs personal and direct care as a direct consequence of COVID-19.
- When there are decisions adopted by the governmental authorities related to COVID-19 that imply the closure of educational centres or of any other nature that dispense care or attention to the person in need of them.
- When the person who until now had been in charge of the direct care or assistance of the working person's spouse or relative up to the second degree could not continue doing so for justified reasons related to COVID-19.

The right to the adaptation and reduction of working hours may refer to the distribution of the working schedule or to any other aspect of the working conditions, which would already be available in the company or which could reasonably be implemented by the employer. The Royal Decree-Law 8/2020 cites the following measures as examples: change of shift, alteration of hours, flexible hours, split or continuous working hours, change of work centre, change of functions, change in the way of providing work (remote working).

Likewise, employees will have the right to a special reduction of their working hours in the situations provided for in article 37.6 ET (for reasons of legal custody, having a minor under the age of twelve or a person with a disability), with the proportional reduction of their salary.

The reduction of the special working hours must be communicated to the employer 24 hours in advance, and may reach one hundred percent of the working day if necessary

C. Exceptional measures in relation to the procedures to suspend employment contracts and adopt the reduction of working hours.

The procedures for suspension of employment contracts and reduction of working hours are accelerated for reasons of force majeure and for economic, technical, organizational and production reasons.

D. Suspension of employment contracts and reduction of working hours due to force majeure.

Employment contract suspensions and working hours reductions, which imply suspension or cancellation of activities, that have their direct cause in loss of activity as a consequence of COVID-19, including the declaration of the state of alarm, will be considered as coming from a situation of force majeure.

Royal Decree-Law 8/2020 contemplates the following situations:

- Temporary closure of public affluence establishments.
- Restrictions on public transport and the mobility of people and / or goods,
- Lack of supplies.
- Urgent and extraordinary situations due to the contagion of the workforce or the adoption of preventive isolation measures decreed by the health authority.

Force majeure, as a motivating cause for the suspension of contracts or the reduction in working hours, must be verified by the labour authority, regardless of the number of workers affected.

In order to expedite these procedures, the following characteristics are decreed for the procedure of suspension or reduction of working hours due to force majeure:

- The procedure will start by request of the employer, which will be accompanied by a report regarding the loss of activity as a result of COVID-19.
- The employer shall send a communication to the employees and their representatives.

- The labour authority will issue, within five days from the request, a resolution confirming the existence of force majeure.
- The measures will take effect from the date of the act causing the force majeure
- In cases where the labour authority considers it appropriate, a report from the Labour Inspection will be issued, within the non-extendable period of five days.

These specialties will not be applied to procedures initiated or communicated before the entry into force of the Royal Decree-Law 8/2020.

This measure will be in force as long as the extraordinary situation derived from COVID-19 is maintained.

E. Suspension of employment contracts and reduction of working hours for economic, technical, organizational and production reasons related to COVID-19:

For cases that cannot be considered as force majeure, Royal Decree-Law 8/2020 introduces certain features in order to expedite the processing of these other procedures, when they are related to COVID-19:

- Modifications in the representative commission for the negotiation of the consultation period, which must be constituted within 5 days.
- Reduction of the consultation period to a maximum of 7 days.
- The reduction of the period of issuance of the optional report of the Labour Inspection to a maximum of 7 days.

This measure will be in force as long as the extraordinary situation derived from COVID-19 is maintained.

F. Extraordinary social security contribution measures.

In dossiers of suspension of employment contracts and reduction of working hours, authorised based on temporary force majeure, the Social Security will apply the following temporary measures of exoneration and reduction of the social security contribution:

- In cases in which the company has, as of February 29, 2020, less than 50 employees registered in Social Security, the company is exonerated to pay the social security contributions.
- In cases in which the company has, on February 29, 2020, 50 workers or more, the exemption will reach a 75% of the business contribution to social security.

Said exemption will not have effects for the employee.

This measure will be applied to those affected by the procedures for suspension of employment contracts and reduction of working hours communicated, authorized or initiated prior to the entry into force of this Royal Decree-Law, provided that they derive directly from COVID-19.

G. Extraordinary measures regarding unemployment protection and the extension of unemployment benefits.

In the cases of suspension of contracts or temporary reduction of working hours, based on the extraordinary circumstances previously exposed, the following measures are adopted:

- The right to contributory unemployment benefit will be recognized, even if the employee lacks the minimum period necessary for it.
- The period during which the contributory unemployment benefit is received will not be computed, for the purposes of consuming the maximum periods of perception established.

This measure will be applied to those affected by the procedures for suspension of employment contracts and reduction of working hours communicated, authorised or initiated prior to the entry into force of this Royal Decree-Law, provided that they derive directly from COVID-19.

H. Safeguard employment.

The extraordinary measures in the labour sphere provided for in Royal Decree-Law 8/2020 will be subject to the employer's commitment to maintain employment for a period of six months from the date of resumption of activity.

III. LIQUIDITY GUARANTEE MEASURES TO SUSTAIN ECONOMIC ACTIVITY.

The measures adopted by Royal Decree-Law 8/2020 in order to face liquidity problems and ensure the continuity of the economic activity of companies and the self-employed, especially affected by the crisis caused by COVID-19, are following:

- To meet their liquidity needs, the Government will grant guarantees, for a maximum amount of 100,000 million euros, to financing granted by credit institutions and financial establishments to companies and self-employed.
- The net debt limit for the Official Credit Institute (ICO) is increased by 10,000 million euros, to provide additional liquidity to companies and the self-employed through the existing ICO Lines of financing
- In order to strengthen the liquidity of exporting companies, an extraordinary line of insurance coverage is approved from the Reserve Fund for Internationalization Risks of up to 2,000 million euros, and for a period of 6 months, for following companies:
 - Companies in which during the last financial year the international business has represented at least one third (33%) of its turnover, or
 - Companies that have exported regularly during the last four years

The following are expressly excluded from this measure: (i) listed companies, (ii) companies in bankruptcy or pre-bankruptcy, (iii) companies with incidents of non-payment with companies in the Public Sector or Administration registered before December 31 of 2019.

IV. MEASURES RELATED TO PUBLIC PROCUREMENT.

In order to avoid that the COVID-19 crisis and the measures adopted may lead to the resolution of public sector contracts in force, upon the entry into force of Royal Decree-Law 8/2020, a specific suspension regime is foreseen, as well as the implementation of certain measures.

It should be noted that the application of the measures detailed below, will in any case be conditioned on their approval by the contracting authority.

A. Public successive service and supply contracts.

Public successive service and supply contracts shall be automatically suspended from the moment a situation occurs that prevents the provision of services and / or supplies to be provided. The suspension will last until the said provision can be resumed.

In respect thereof, the contractor shall submit to the contracting authority a request for suspension stating: the reasons that prevent the execution of the contract; the personnel, machinery and facilities assigned to the contract, as well as the justification for not being able to assign such means to another contract.

In addition, the Royal Decree-Law 8/2020 provides that the contractor may be compensated by the contracting entity for damages suffered during the period of suspension of the contract, on: (i) Salary expenses paid to assigned personnel to the contract as of March 14, 2020 (ii) Expenses incurred for maintenance of the definitive guarantee (iii) Expenses for lease or maintenance costs of facilities subject to the contract (iv) Expenses corresponding to the insurance policies provided in the specifications and in force at the time of suspension.

The aforementioned public contracts may be extended, in cases where no new contract has been formalized on the expiration date, as a result of the suspension of the contracting procedures, because of the measures implemented in relation to COVID-19.

B. Public service and supply contracts different from those provided in the previous section.

With regard to public contracts for services and supplies other than those provided for in the previous section, the Royal Decree-Law 8/2020, establishes that the contracting authority may grant the contractor a delay in fulfilling his obligations as a consequence of COVID-19.

C. Public work contracts.

In public works contracts, the contractor may also request the contracting authority to suspend the contract following the same criteria and procedure established for successive service and supply contracts explained above.

However, in order to recognize the right to compensation in favour of the contractor in work contracts, Royal Decree-Law 8/2020 also requires them to be aware of compliance with labour and social obligations, payment to subcontractors and suppliers as of March 14, 2020.

D. Public works and services concession contracts.

In public works concession and service concession contracts, the concessionaire is entitled to restore the economic balance of the contract, by extending its initial duration for a maximum of 15% or by modifying the clauses of economic content included in the contract.

E. Exclusion.

Royal Decree-Law 8/2020, excludes the following public contracts from the scope of said measures:

- a) Contracts for health, pharmaceutical or other services or supplies, the object of which is linked to the health crisis caused by COVID-19.
- b) Contracts for security services, cleaning or maintenance of computer systems.
- c) Service or supply contracts necessary to guarantee the mobility and security of transport infrastructure and services.
- d) Contracts awarded by those public entities that are listed in official markets and do not obtain income from the General State Budgets.

V. FINANCIAL MEASURES DIRECTED TO THE HOLDERS OF FARMS THAT HAVE SUBSCRIBED LOANS AS A RESULT OF THE DROUGHT SITUATION OF 2017.

The Royal Decree-Law 8/2020 facilitates the borrowers of financial credits granted to owners of agricultural holdings affected by the drought of 2017 (ex. Orders AAA / 778/2016, of May 19 (2017 call) , Order APM / 728/2017, of July 31 and Order APM / 358/2018, of April 2), which can voluntarily agree with the financial entities to extend up to a year the repayment period of the subscribed loans.

VI. TAX MEASURES.

A. Attribution of powers for customs clearance

The head of the Department of Customs and Special Taxes of the AEAT may establish that the declaration proceeding and the customs clearance shall be carried out by an entity or official of the Customs and Special Taxes Department.

B. Suspension of deadlines in the tax field:

The following suspension measures are implemented with regards to the tax sector:

- Extension until April 30, 2020 of the following tax deadlines:
 - Deadlines for payment in the voluntary period and in the executive period in case the settlements are performed by the Administration¹.
 - Expiration of the periods of the deferral and instalment payment agreements .
 - Deadlines related to the development of auctions and award of goods.
 - Deadlines to meet requirements, seizure proceedings and requests for information for tax purposes.

¹ These terms are regulated in sections 2 and 5 of article 62 of the General Tax Law.

- Deadlines to submit claims before the opening acts of the previous procedures or hearings, which take place in the context of tax enforcement proceedings, sanctioning proceedings or declaration of nullity, payment of undue amounts, rectification of material errors and revocation proceedings that have not concluded as of the date of entry into force of the Royal Decree-Law, that is, as of March 18, 2020.
- Likewise, within the enforcement procedure, the guarantees on real estate assets will not be executed, as from the entry into force of this Royal Decree-Law until April 30, 2020.
- Extension until May 20, 2020 of the terms previously described, in relation to those proceedings that are communicated as of the entry into force of the Royal Decree-Law, unless the period granted by the general rule is longer.
- If the request for relevant information for tax purposes is attended or allegations are presented during the validity of such measures without explicit reservation of the right to extend these terms, it shall be considered that this proceeding has been executed.
- The aforementioned shall be understood without prejudice to the specialties provided for the customs regulations regarding deadlines for making claims and meeting demands.
- Maximum duration of the proceeding: The period between March 18, 2020 (date of entry into force of the Royal Decree-Law) and April 30, 2020 will not count for the purposes of the maximum duration of the tax application procedures, sanctioning procedures and review procedures processed by the AEAT.
- Notwithstanding the foregoing, the Administration may promote, order and carry out the essential procedures during said period of time.
- Statute of limitations or limitation period: The period between March 18, 2020 and April 30, 2020 will not count for the purpose of statute of limitations or limitation period.

- To determine the statute of limitations in the appeal for reversal and economic-administrative procedures, the resolutions that end them shall be deemed as notified when an attempt to notify the resolution is carried out between March 18, 2020 and 30 April of the same year.
- Extension until May 20, 2020 of the periods previously described, in relation to those procedures that are communicated as of the entry into force of the Royal Decree-Law, unless the term granted by the general rule is longer.
- If the request with tax repercussions is attended or allegations are presented during the validity of said measures without express reservation of the right to extend these terms, it shall be considered that this procedure has been executed.
- The aforementioned shall be understood without prejudice to the specialties provided for the customs regulations regarding deadlines for making claims and meeting requirements.
- Maximum duration of the procedure: The period between March 18, 2020 (date of entry into force of the Royal Decree-Law) and April 30, 2020 will not count for the purposes of the maximum duration of the tax application procedures, sanctioning procedures and review procedures processed by the AEAT.

Notwithstanding the foregoing, the Administration may promote, order and carry out the essential procedures during said period of time.

- Statute of limitations or limitation period: The period between March 18, 2020 and April 30, 2020 will not count for the purpose of statute of limitations or limitation period.
- To determine the statute of limitations in the appeal for reversal and economic-administrative procedures, the resolutions that end them will be understood as notified when an attempt to notify the resolution is carried out between March 18, 2020 and 30 April of the same year.

The terms to file economic-administrative appeals or claims against tax acts, as well as to appeal administratively the resolutions issued in the economic-administrative procedures, will not start until April 30, 2020 or until notification has been performed, if it occurred later.

C. Suspension of deadlines in the cadastral field:

The following suspension measures are agreed at the cadastral level:

- Extension until April 30, 2020 of the deadlines to meet requests made by the General Directorate of Cadastre that are in the period of reply in 18th March 2020.
- Extension until May 20, 2020 of the terms previously described, in relation to those procedures that are communicated as of the entry into force of the Royal Decree-Law (18th March 2020), unless the term granted by the general rule is longer.
- If the request with tax repercussion is attended or allegations are presented during the validity of said measures without express reservation of the right to extend these terms, it shall be considered that this procedure has been executed.
- The period between March 18, 2020 and April 30, 2020 will not count for the duration of the procedures initiated ex officio.
- The provisions of sections B and C will apply to procedures which course of action was initiated before to the entry into force of the Royal Decree-Law of March 18, 2020.

D. Exception on Transfer Tax and Stamp Duty (“ITPAJD”) for contractual amendments of mortgage loans and credits.

To face the economic and social impact of COVID-19 are excepted from the payment on ITPAJD for contractual amendments of mortgage loans and credits

E. Deadlines for filing declarations and self-assessments.

The suspension of the terms and the interruption of the administrative deadlines established in the Royal Decree-Law that declares the state of alarm will not be applicable to the tax periods, nor will it affect, in particular, the deadlines for the filing of tax returns and self-assessments.

VII. MEASURES TO SUPPORT THE INVESTIGATION OF COVID-19

Royal Decree-Law 8/2020 includes in Chapter IV exceptional labour measures and financial support mechanisms for the public entities that integrate the Spanish System of Science, Technology and Innovation.

A. Exceptional labour measures for the public entities that are members of the Spanish System of Science, Technology and Innovation.

The public entities members of the Spanish System of Science, Technology and Innovation, when developing exceptional measures for dealing with the health emergency caused by the coronavirus COVID-19, may establish extraordinary working hours for their workers, which will be compensated economically through the complement of productivity or extraordinary payments.

These entities are authorised to hire on indefinite and temporary contracts in accordance with current regulations for the execution of public programs for scientific and technical research or innovation related to the coronavirus COVID-19. Indefinite contracts must be financed through annual budgetary appropriations as a consequence of external finalist income.

B. Granting of extraordinary credits in the budget of the Ministry of Science and Innovation in relation to scientific research in the field of the Coronavirus COVID-19.

The granting of three extraordinary credits to the Carlos III Health Institute (ISCIII) has been authorised for:

- Exceptional needs caused by the crisis of the coronavirus COVID-19, amounting to 950,000 euros.
- Direct grant subsidies for research projects and programs for the coronavirus COVID-19, for an amount of 24,000,000 euros.
- Exceptional needs caused by the crisis of the coronavirus COVID-19, for an amount of 250,000 euros.

The granting of two extraordinary credits to the Higher Council for Scientific Research (CSIC) has also been authorised for:

- Current expenses related to the investigation of the coronavirus COVID-19, amounting to 390,000 euros.
- Capital expenses related to the investigation of the coronavirus COVID-19, amounting to 4,060,000 euros.

The financing of the extraordinary credits will be carried out in accordance with article 50 of General Budget Law 47/2003, of November 26.

C. Regulations relating to monetary contributions made by the Carlos III Health Institute and the Higher Council for Scientific Research for scientific and technical research derived from the health emergency caused by the coronavirus COVID-19.

These contributions are excluded from Law 38/2003, of November 17, of General Subsidies. They will be carried out by resolution of the Directorate of the Carlos III Health Institute and the Presidency of the Higher Council for Scientific Research and, for the granting of the corresponding aid, they must be based on the public utility or the concurrent social interest. Grants will be published in the National Database of Grants. Payments will be made in advance, prior to carrying out and justifying the activity that motivates the award.

The beneficiary entities may subcontract all or part of the activity in order to achieve the objectives that motivated it, with prior authorisation of the granting entities. They must be justified by providing proof of expenditure, within a maximum period of one year from their grant (which can be extended). If the beneficiary entity is included in any of the cases specified in article 37 of Law 38/2003, of November 17, the amounts received must be reimbursed.

The granting entities may carry out as many financial verification and control tasks as necessary to guarantee proper compliance with the provisions of this article.

The holders of the Directorate of the Carlos III Health Institute and of the Presidency of the Higher Council for Scientific Research may dictate as many provisions as necessary to give rise to its development and execution.

VIII. OTHER FLEXIBILITY MEASURES THAT AFFECT COMMERCIAL ENTITIES.

Articles 39 to 43 establish other flexibility measures that affect commercial entities:

A. Signing of agreements with public administrations.

The signing of agreements with Public Administrations will be exempt from the obligation to provide the documentation established in article 50 of Law 40/2015, of October 1st, on the Legal Regime of the Public Sector. In the same way, agreements are excluded from what dictates the article 48.8 of the aforementioned law, which establishes their perfection and effectiveness.

A. Announcement and holding of general meetings and councils

- Although it might not be foreseen in the bylaws, associations, civil or commercial entities, cooperatives, foundations and commissions, may hold the sessions of their governing and administrative bodies by videoconference, provided that authenticity and bilateral or multilateral connections are ensured in real time with image and sound. In these cases, the session will be deemed to be held at the entity's registered office.
- Associations, civil or commercial entities, cooperatives, foundations and commissions, even if it is not foreseen in their bylaws, may adopt their agreements by means of a written vote and without a session, previous decision of the president and whenever requested by at least two members of the organ. The session will be deemed to be held at the entity's registered office.
- The general meeting that must approve the annual accounts of the previous year, will meet within the three months following the end of the term for its formulation, according to the suspension envisaged in the Royal Decree-Law 8/2020.

- If the meeting is scheduled during the state of alarm, the administrative body may modify the location and time or revoke the agreement reached in the announcement. If the company has a website, the announcement must be made on its website with a minimum of 48 hours in advance. If the company does not have it, it must be published in the State Official Newsletter (BOE). In case of revocation, the administrative body must make a new announcement within the month following the date on which the state of alarm had ended.
- If the presence of a notary is required to hold the meeting, the latter may use telematic means that guarantee its function.

B. SHAREHOLDER'S RIGHTS

- The shareholders may not exercise their right of separation until the state of alarm or its extensions ends, even in case that a legal or statutory cause may occur.
- Cooperative partners who may cease to continue in office during the alarm period will receive the reimbursement of their contributions until 6 months after the end of the alarm state.

C. DISSOLUTION OF THE COMPANY:

- If, during the state of alarm, the term of the company established in the bylaws ends, the dissolution will not take place fully until two months after the end of the state of alarm.
- If before or during the state of alarm, there is a cause for the dissolution of the company, the legal period for calling the shareholders' meeting where the dissolution agreement is to be adopted shall be suspended.
- If the cause of dissolution has occurred during the state of alarm, the administrative body will not be liable for the debts that occurred during that period.

D. ANNUAL ACCOUNTS:

- The term for preparing annual, ordinary or abbreviated, individual or consolidated accounts is suspended, as well as the management report and any other documents that are mandatory. The term will resume for three months from the end of the state of alarm.
- For companies required to verify their accounts by an auditor, and in case they have already prepared their annual accounts, the period for verification will be extended by two months from the end of the state of alarm.

E. LISTED COMPANIES:

- The publication and submission of the annual financial report to the National Securities & Exchange Commission (CNMV) and the audit report of its annual accounts may be completed up to 6 months after the fiscal year. Such period may be extended 4 months for the publication of the intermediate management declaration and the semi-annual financial report.
- The ordinary general shareholders' meeting may be held within the first 10 months of the fiscal year.
- Although it might not be included in the bylaws, the announcements for meetings may foresee the celebration of the meeting by electronic means and remote voting, as well as the celebration anywhere in the national territory. If the announcement has already been published on March 18th, 2020, any of these assumptions may be stipulated by means of a complementary announcement that must be published at least 5 calendar days before the scheduled date for the meeting.
- If the meeting had been constituted but could not be held as a consequence of the measures imposed by the authorities, it may be agreed to continue the celebration on the same day in another place within the same province, establishing a reasonable period for the transfer of attendees.
- If the meeting cannot be held and the electronic route is not possible, the holding of the meeting at a later time may be announced with the same agenda and the same

advertising requirements as the meeting not held, at least 5 days prior to the date set for the meeting.

- Although it might not be included in the bylaws, the administrative body may adopt a complementary announcement to hold the meeting exclusively by electronic means, provided that the possibility of participating in the meeting is offered by each and every one of these ways: (i) electronic assistance; (ii) representation granted to the Chairman of the Meeting by remote means of communication and (iii) early vote through remote means of communication. In these cases, there must be reasonable guarantees to ensure the identity of the subject exercising their right to vote. The meeting will be considered held at the registered office regardless of where the Chairman of the Meeting is, by audio conference or video conference.
- Although it might not be in the bylaws, the agreements of the board of directors and the agreements of the Audit Committee will be valid when they are adopted by videoconference or by multiple conference call. The Secretary must be identified, which must be expressed in the records and in the certification of the agreements issued. The session will be considered unique and held at the place of the registered office.

F. BANKRUPTCY:

- While the state of alarm is in force, the debtor who is insolvent will not have the duty to request the bankruptcy declaration. Neither will the debtor who has initiated negotiations with his creditors to reach an out-of-court agreement (article 5 bis of the Bankruptcy Law) and when the period has expired.
- The judges will not admit applications for necessary insolvency proceedings that are submitted during the state of alarm or during the two months after its completion. In the event of a voluntary insolvency proceeding, the judges will admit it for processing with preference over the necessary proceeding request, even if it is of a later date.

G. REGISTER ENTRIES:

- During the state of alarm and its extensions, the expiration period of the filing entries, preventive notes, marginal notes and any other registry entries susceptible to cancellation due to the passage of time is suspended.

- The calculation of the periods will resume the day after the end of the state of alarm or its extensions.

In our opinion these measures are of vital importance, bearing in mind that the month of March it is the period in which most companies must prepare their annual accounts and subsequently submit them to the approval of the general board meeting. We believe that the temporary suspension of these periods should relieve the companies, which are currently facing other economic problems derived from the state of alarm.

IX. SUSPENSION OF THE DEREGULATION REGIME OF CERTAIN FOREIGN DIRECT INVESTMENTS IN SPAIN

The deregulation regime for foreign direct investments in Spain, carried out in the sectors listed below and affecting public order, public safety and public health, is suspended:

- Critical infrastructures, whether physical or virtual, as well as land and real estate that are key to the use of such infrastructures.
- Critical technologies and dual-use products as defined in Article 2 (1) of Council Regulation (EC) number 428/2009, including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace technologies, of defence, energy storage, quantum and nuclear, as well as nanotechnologies and biotechnologies.
- Supply of fundamental inputs, particularly energy, or those related to raw materials, as well as food safety.
- Sectors with access to sensitive information, particularly personal data, or with the ability to control such information, in accordance with Organic Law 3/2018, of December 5, on the Protection of Personal Data and guarantee of digital rights.

Likewise, the deregulation regime for foreign direct investment in Spain is suspended in the following cases:

- Whether the foreign investor is controlled directly or indirectly by the government, including public bodies or the armed forces, of a third country.

- If the foreign investor has made investments or participated in activities in sectors that affect safety, public order and public health in another Member State.
- If an administrative or judicial proceeding has been initiated against the foreign investor in another Member State or in the State of origin or in a third State for carrying out criminal or illegal activities.

For these purposes, foreign direct investments in Spain will include all investments made by residents of countries outside the European Union and the European Free Trade Association, provided that (i) the investor has a participation equal to, or greater than, 10 percent of the share capital of the Spanish company, or (ii) when as a consequence of the corporate transaction, act or legal business, the investor has an effective participation in the management or control of the Spanish company.

This suspension will remain in force until a Council of Ministers Agreement is issued determining its removal.