

Euronext Growth Milan

NOTE FOR INVESTING COMPANIES

25 OCTOBER 2021

The Italian text of these Rules shall prevail over the English version



BORSA ITALIANA

Note for investing companies

Contents

1. Introduction.....	1
2. Appropriateness for Euronext Growth Milan.....	1
2.1 Appropriateness of certain entities.....	1
2.2 Investment Managers.....	1
2.3 Independence.....	2
3. Admission Document requirements.....	2
3.1 Further Disclosures on admission.....	2
3.2 Financial Information under Rule 3 of the Rules for Companies.....	3
4. Interpretation of the Rules for Companies.....	3
4.1 Rules 7 and 13 (lock-ins for new businesses, related party transactions and disclosure of miscellaneous information).....	3
4.2 Rule 10 (Disclosure principles) et seq.....	3
4.3 Rule 12 (Substantial Transactions).....	4
4.4 Rule 14 (Reverse take-overs).....	4
4.5 Rule 15 (Actions or disposals resulting in a fundamental change of business).....	4

1. Introduction

This note applies to an **Euronext Growth Milan company, admitted** to trading before the effective date of the provisions on **AIFs** [31 August 2015], which did not apply for the relevant authorization, and to an **Euronext Growth Milan company** established with the purpose of purchasing a specific business to be submitted to the shareholders' meeting for approval in accordance with its investment strategy (i.e. "special purpose acquisition companies", etc.). It sets out specific requirements, rule interpretation and guidance relating to certain **applicants** and **investing companies**. It forms part of the **Rules for Companies** (and comes within the definition of **Note** in those rules) and **Rules for Euronext Growth Advisors**.

For the avoidance of doubt, where an **applicant** is issuing a **Prospectus**, both the **Prospectus Rules** and the **Rules for Companies** must be complied with.

If a **Euronext Growth Advisor** believes that provisions set out in this note are not applicable or appropriate to a particular **Euronext Growth Milan company** they should contact **Borsa Italiana**.

Emboldened terms used in this note have the same meanings as set out in the **Rules for Companies**, unless otherwise defined.

2. Appropriateness for Euronext Growth Milan

2.1 Appropriateness of certain entities

Controlling stakes

Where an **investing company** takes a controlling stake in an investment, there should be sufficient separation between each investment to ensure that the **investing company** does not become a trading company. Cross-financing or sharing of operations, for example, should be limited.

If an **investing company** is intending to undertake an acquisition that might result in it not being an investing company (e.g. it will become an operating business further to the acquisition), the application of rule 14 of the **Rules for Companies** (reverse take-overs) should be considered.

Cross-holdings

An **investing company's** exposure to risk through any cross-holdings should be considered.

2.2 Investment Managers

A **Euronext Growth Advisor** must satisfy itself that each **investment manager** is in each case appropriate and has sufficient experience for the investing company and its investing policy.

There should be appropriate agreements in place, such as an on-going contractual commitment, between an **investing company** and any **investment manager**, covering key matters.

Where there is an **investment manager**, an **investing company** should have in place sufficient safeguards and procedures to ensure that its board of **directors** retains sufficient control over its business.

2.3 Independence

Borsa Italiana would usually expect the board of **directors** of the **investing company** as a whole, and its **Euronext Growth Advisor**, to be independent from any **investment manager**.

The **investing company** should disclose whether or not its board of **directors**, and **Euronext Growth Advisor**, are independent from the **investment manager** in its **admission document**. Any subsequent changes to this position should be appropriately **notified**.

Borsa Italiana would also usually expect the **Euronext Growth Advisor**, and the board of **directors** as a whole, to be independent of any **substantial shareholders** or investments (and any associated **investment manager**) comprising over 20% of the gross assets of the company. If they are not, this should again be adequately disclosed in the **admission document** or **notified**.

When considering whether any relevant party is independent, reference should be made to the situations of incompatibility and the management of conflicts of interest referred to in the rule 18 of the **Rules for Euronext Growth Advisors**.

3. Admission Document requirements

3.1 Further Disclosures on admission

In interpreting Schedule Two (h) of the **Rules for Companies** the following information should be included within the front part of an **admission document**:

- ◆ the expertise its **directors** have, as a board, in respect of the **investing policy**;
- ◆ where there is an **investment manager**:
 - the name of the **investment manager**;
 - the experience of the **investment manager** and its expertise in respect of the **investing policy**;
 - a description of the **investment manager's** regulatory status including the name of the regulatory authority by which it is regulated, if applicable;
 - a summary of the key terms of the agreement(s) with the **investment manager**, including fees, length of agreement and its termination provisions;
- ◆ if applicable the company's policy in relation to regular updates as per 4.2 below.

Adequate information should also be included about the **investing company's** taxation status and any policy or strategy the **investing company** has in relation to taxation, if applicable.

3.2 Financial Information under Rule 3 of the Rules for Companies

After consulting the **Euronext Growth Advisor**, a newly incorporated **investing company** that has not traded, made any investments or taken on any liabilities in place of the financial information under Rule 3 of the **Rules for Companies** must include a statement in its **admission document** that since the date of its incorporation the company has not yet commenced operations and that it has no material assets or liabilities, and therefore that no financial statements have been prepared as at the date of the **admission document**.

4. Interpretation of the Rules for Companies

References to Rules are to rules in the **Rules for Companies**.

4.1 Rules 7 and 13 (lock-ins for new businesses, related party transactions and disclosure of miscellaneous information)

An **investment manager** (or any company in the same group) and any of its key employees that are responsible for making investment decisions in relation to the **investing company** will be considered:

- ◆ a **director** for the purposes of the application of **Rules 7** and **13**;

4.2 Rule 10 (Disclosure principles) et seq.

Periodic disclosures

The **Euronext Growth Advisor** of an **investing company** should consider with the **investing company** whether regular periodic disclosures (such as a regular net asset value statement or details of main investments, for example) should be **notified** in order to update market participants, having due regard to market practice and the activities of the **investing company**. The approach to making regular updates should be included in the **admission document** or a relevant circular and any changes to this **notified**.

Change of investment manager

The appointment, dismissal or resignation of any **investment manager** (or any key personnel within the **investing company**, or **investment manager**, which might impact achievement or progression of the **investing policy**) shall be notified to the market without delay. Any such **notification** should include information on the consequences of the appointment, dismissal or resignation.

Cumulative effect of investment changes

When making an assessment of whether **notification** of an investment or a disposal of an investment is required, the cumulative impact of a series of investments or disposals should be considered.

Change of information previously disclosed

The **investing company** should assess, after consulting the **Euronext Growth Advisor**, whether any change to the information disclosed on **admission**, pursuant to paragraph 4.2 of this note, should be **notified**.

4.3 Rule 12 (Substantial Transactions)

An investment made by an **investing company** that:

- ◆ is in accordance with its **investing policy**; and
- ◆ only breaches the EBITDA and turnover tests contained in the **class tests**, would therefore not require disclosure as a **substantial transaction** in accordance with **Rule 12**.

4.4 Rule 14 (Reverse take-overs)

Pursuant to **Rule 14**, an acquisition (which should be interpreted broadly and include undertaking an investment in a company or assets, for example) by an **investing company** which exceeds 100% in any of the **class tests** may be considered a reverse take-over, even if such an acquisition is made in accordance with its stated **investment policy**.

However, an acquisition made by an **investing company** that:

- ◆ is in accordance with its **investing policy**;
- ◆ only breaches the EBITDA and turnover tests contained in the **class tests**; and
- ◆ does not result in a fundamental change in its business, board or voting control, would not be considered a reverse take-over under **Rule 14**.

In all other instances, the company, after consulting the **Euronext Growth Advisor**, must approach **Borsa Italiana** if it considers that an acquisition falling within **Rule 14** should not be treated as a reverse take-over. For the avoidance of doubt, **Rule 12** may still require **notification** of such an investment.

4.5 Rule 15 (Actions or disposals resulting in a fundamental change of business)

A disposal by an **investing company** which is within its **investing policy** will not be subject to the requirement under **Rule 15** to obtain **shareholders'** consent on the basis of a circular. However a disclosure in accordance with Schedule Four should still be made.

However, where an **investing company** disposes of all, or substantially all, of its assets, within the meaning of **Rule 15**, the **investing company** will have twelve

months from the date of that disposal to implement its current **investing policy** in accordance with **Rule 15**. If this is not fulfilled, the **investing company** will be suspended pursuant to **Rule 40**. Any change to its investing policy will be subject to **Rule 8**, but the twelve month period will continue to apply.



borsaitaliana.it