DAIKIN APPLIED EUROPE S.p.A.

Summary Document
relating to

Model of Organisation and Management
Legislative Decree no. 231/2001

"Organisational Model"

Special Section D

Corporate crimes

CONTENTS

1. CORPORATE CRIMES

1.1 Introduction

The offences dealt with in this Special Part are referred to in art. 25*ter* of Legislative Decree no. 231/2001, following the additions made to it by Legislative Decree no. 61 date 11 April 2002, (*Regulation of criminal and administrative offences regarding trading companies, according to article 11 of Law no. 366 dated 3 October 2001*).

The range of offences taken into consideration by art. 25ter of Legislative Decree no. 231/2001 has changed, firstly, as a result of Legislative Decree no. 6 dated 17th January 2003 (*Overall reform of corporations and co-operative companies, implementing Law no. 366 dated 3rd October 2001*), which, by inserting a new art. 111quinquies enacting Civil Code provisions, modified art. 2632 of the Civil Code (*Fictitiously paid-up capital stock*); following that, Law no. 62 dated 18th April 2005 (*Community Law 2004*) modified art. 2637 of the Civil Code (*Stock Manipulation*) and, subsequently, Law no. 262 dated 28 December 2005 (*Provisions to safeguard savings and regulate financial markets*) abrogated art. 2623 of the Civil Code (*False statement in a prospectus*), modified art. 2625, Civil Code (*Impeding control*), introduced art, 2629bis, Civil Code (*Failure to communicate conflicts of interest*) and modified art. 2638, Civil Code (*Obstruction to the work of public supervisory authorities*), all referred to by the regulations in the Special Section of the Decree. Further modifications took place following entry in force of Legislative Decree no. 303 dated 29th December 2006 (*Co-ordination with Law no. 262 of 28th December 2005 of the consolidation act on banking and credit laws and the consolidation act on provisions relating to financial brokerage*), which further modified art. 2629bis of the Civil Code; finally, Legislative Decree no. 39 dated 27th January 2010 (*Implementation of Directive 2006/43/EC, relating to legal auditing of annual accounts and consolidated accounts, which modifies Directives 78/660/EEC and 83/349/EEC and abrogates Directive 84/253/EEC*), which abrogated the fine under art. 2624 of the Civil Code, also referenced by art. 25ter of Legislative Decree no. 231/2001 and further modified the offence under art. 2625, Civil Code.
The most recent modification to the law - relating to the offences that form the fulcrum of crimes against corporate information - is the one made by Law no. 69 dated 27th May 2015 (*Provisions relating to crimes against the public administration, Mafia crimes and fraudulent accounting*). This reform has caused a modification in the criminal offence regulated by art. 2621, Civil Code (*False corporate notices*), eliminating all references to the need for damage to partners as a result of the falsification which, however, must in any case be perpetrated "*in a manner actually liable to deceive others*" and has likewise introduced a case (art. 2621bis, Civil Code) for attenuated punishment (*Facts of a modest nature*). Finally, it provides separate regulation, under art. 2622, Civil Code, of the case in which the falsification relates to corporate notices of listed companies, which is punished more severely.
Behaviour constituting the offences described by art. 25ter, Legislative Decree no. 231/2001, that may give rise to the direct administrative liability of the Company in whose interest or benefit the offence was committed, are described in the paragraph below.

1.2 The types of offences

a) False corporate notices (articles 2621, 2621bis and 2622, Civil Code).

The offence of false corporate notices consists, in the abstract, of the falsification of the corporate financial statements, reports and notices foreseen by law. In particular, the illegal conduct under articles 2621, Civil Code (for unlisted companies) and 2622, Civil Code (for listed companies) occurs through the wilful indication in the financial statements, in reports or in other corporate notices foreseen by law, aimed at partners or at the general public, of significant material elements that are untrue, or in the wilful omission of significant material elements - communication of which is required by law - relating to the economic, asset or financial status of the company or the group; this conduct must take place in a way that is actually liable to mislead others and is supported by the specific intent of obtaining an illegal profit.
Active participants in the offence may be administrators, general managers, directors in charge of drawing up the corporate accounting documents or auditors and liquidators (with other specific offences applying to

these cases), as well as those who, while not holding any of the positions taken into consideration by the provisions indicated, participate in the offence under articles 110 and following of the Criminal Code. Consequently, for the Company to be liable for this conduct under Legislative Decree no. 231/2001, it is necessary for the fact to have been carried out: ***i)*** by an individual who holds, within the entity, one of the positions taken into consideration by the incriminating laws in question; ***ii)*** by a third party or by a subordinate party upon the instructions or as an accomplice of such an individual.
For unlisted companies only, art. 2621*bis*, Civil Code, envisages a reduced penalty for so-called "*facts of a modest nature*" (attenuating circumstance), taking into account the nature and the size of the company and the manner or effects of the conduct.
Even though it is not referenced by art. 25*ter* of Legislative Decree no. 231/2001, art. 2621*ter*, Civil Code also envisages, again with reference to falsities that relate to unlisted companies only, grounds for exemption in the "*particularly minor nature of the offence*", which has already been introduced, in general terms, by art. 131*bis*, Criminal Code, for the application of which it is necessary that: ***i)*** the period of imprisonment imposed for the offence does not exceed five years; ***ii)*** the non-habitual nature of the conduct and the particularly minor nature of the offence to the legal asset being protected apply, both of which are to be assessed in relation to the type of conduct and the negligible nature of the damage or the low level of danger generated.

b) Impeding control (art. 2625, Civil Code)

The provision in question punishes administrators who, by concealing documents or by means of other artifices, prevent or in any way obstruct performance of the control activities legally assigned to partners or to other corporate bodies, where the conduct results in damage to the partners (paragraph 2) and with aggravation of the penalty when the company in question is listed on regulated Italian or European Union stock markets, or issues financial instruments that are widely available to the public (*pursuant to* art. 116, C.A. on finance; likewise paragraph

c) Improper restitution of contributions (art. 2626, Civil Code)

The law in reference punishes administrators who, outside cases of legitimate restitution of capital, return to partners the contributions paid by them, or simulate that return of contributions, or release partners from the obligation to pay contributions.

d) Illegal distribution of profits and reserves (art. 2627, Civil Code)

The provision in question punishes the conduct of administrators who distribute profits or down payments on profits that have not actually been made or have been destined under law to the reserves, or who distribute reserves, including those not consisting of profits, that are not set down for distribution (paragraph 1).
However, return of the sums that have been illegally distributed is considered to extinguish the offence, provided it takes place within the term foreseen for approval of the financial statement (paragraph 2).

e) Illicit operations on shares or holdings in the company or in the parent company (art. 2628, Civil Code)

The offence in question occurs when the administrators, outside the cases allowed by law, purchase or subscribe shares or holdings in the company (paragraph 1) or in the parent company (paragraph 2) resulting in damage to the partnership capital or to the legally undistributable reserves.
However, reconstitution of the capital or reserves prior to the term foreseen for approval of the financial statement is considered to extinguish the offence (paragraph 3).

f) Operations to the prejudice of creditors (art. 2629, Civil Code)

The offence in question is committed in the case of a reduction in partnership capital, or a merger or demerger, is carried out in violation of legal provisions for the protection of creditors, causing injury to the creditors (paragraph 1).

However, reimbursement of the damage to creditors is considered to extinguish the offence, provided it takes place before going to court (paragraph 2).

g) Failure to communicate a conflict of interest (art, 2629bis, Civil Code)

The law in question punishes anybody who, in their position as administrator or member of the board of directors of a company that is listed on regulated Italian or European Union stock markets, or issues financial instruments that are widely available to the public pursuant to art. 116 of the C.A. on finance, or as an individual subject to supervision under Legislative Decree no. 385/1993 (by CONSOB, the Bank of Italy or ISVAP - the supervisory body for private insurance), violates the notification requirements pursuant to art. 2391, paragraph 1, Civil Code, resulting in damage to the company or to third parties.

h) Fictitiously paid-up capital stock (art. 2632, Civil Code)

The law in question identifies an offence that is caused by the conduct of administrators and contributing partners who, even in part, fictitiously pay up or increase the partnership capital by assigning shares or holdings in excess of the value of the partnership capital, by mutually signing up shares or holdings, significant over-estimation of the contributions in kind or of the credits, that is to say of the company wealth in the case of transformation.

i) Improper division of company assets by liquidators (art. 2633, Civil Code)

The conduct sanctioned as an offence by the provision in question consists of the division of company assets, by liquidators, in favour of partners before payment of company creditors or setting aside the amounts necessary to satisfy said creditors, resulting in damage to the creditors themselves (paragraph 1).
However, reimbursement of the damage to creditors is considered to extinguish the offence, provided it takes place before going to court (paragraph 2).

j) Illegal influence on the shareholders' meeting (art. 2636, Civil Code)

The provision in question punishes anybody (and therefore also those with no particular position within the company) who, by means of simulation or fraudulent actions, gains a majority at the shareholders' meeting, in order to procure an unfair profit for himself or others.

k) Stock manipulation (art. 2637, Civil Code)

The offence under consideration is committed when false notices are issued or simulated operations or other artifices are carried out of a kind liable to cause a noticeable alteration in the price of unlisted financial instruments that are not being traded on a regulated market, or that are capable of having a significant influence on the trust placed by the public in the equity stability of banks or banking groups. The active perpetrator of the above offence may be anybody, including those with no particular position within the company.

l) Obstructing the work of the public supervisory authorities (art. 2638, Civil Code)

The law in question punishes administrators, general managers, directors in charge of drawing up company accounting documents, auditors and liquidators of companies or entities and the other individuals subjected under law to public supervisory authorities or with obligations thereto, who, in making notifications to the above authorities under law, in order to obstruct completion of the supervisory functions, provide untrue details of material facts that are subject to scrutiny, relating to the economic, asset and financial situation of the entity subject to supervision, or, with the same intent, fully or partially conceal facts that should have been notified concerning said situation, equally by making use of fraudulent means (paragraph 1), or intentionally obstruct the functions of said supervisory authorities, also omitting to provide the information required to be sent them (paragraph 3). The offence is also integrated by the case in which the information relates to assets held or administered by the company on behalf of third parties (paragraph 2).

The case in which the company issues shares listed on regulated Italian or European Union markets, or that are widely available to the public *pursuant to* art. 116, C.A. on finance, represents an aggravating circumstance.

m) Extension of individual positions (art. 2639, Civil Code)

The provision in question is not a criminal offence, but outlines the range of application of the offences contemplated previously, establishing that the individual formally holding the qualification or assigned the function foreseen under civil law is to be considered both the person exercising that function, but with a different qualification, and the person who exercising powers typical of that qualification or function in a significant and ongoing manner (paragraph 1). The provision ends by establishing the applicability of the sanctions relating to administrators - outside the cases in which the rules regarding offences by public officials apply - to those who are legally charged by the court authorities or by public supervisory authorities to administer the company, its own assets or the assets it manages on behalf of third parties (paragraph 2).

1.3 The offences that are theoretically applicable to Daikin Applied Europe

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1.4 Sensitive activities

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1.5 The liabilities of the Company with regard to the questions under analysis.

Daikin Applied Europe is committed to base its corporate governance activities on criteria of maximum transparency and good faith, in compliance with applicable regulations and all other pertinent requirements. To that end, the Company has taken on the following commitments:

- Involvement and awareness by the entire management structure, all employees and those who work on behalf of the organisation towards a culture of accountability and attention to questions regarding transparency in corporate communications and in corporate governance;
- Ensuring that all activities are carried out in full compliance with the applicable legal requirements and with applicable corporate regulations, including those relating to corporate governance, and with all the company rules aimed at preventing any risk of committing the offences indicated in Legislative Decree no. 231/01, with awareness among staff involved in processes considered to be sensitive of the potential risks of the offences set out in Legislative Decree no. 231/01;
- The creation of suitable training operations for corporate staff regarding the potential risk of offences under Legislative Decree no.231/01, art. 25*ter*, with reference both to the activities involved in drawing up the financial statement and other accounting and management documents required by law, and where necessary to the rules on corporate governance and preparation of the financial statement;
- The provision of a disciplinary system to punish any failures to comply with the measures indicated in the Organisational Model in order to prevent the offences pursuant to art. 25 *ter*;
- The provision of suitable flows of information from employees to the Company Supervisory Body regarding all critical situations capable of resulting in a risk of committing offences under art. 25*ter*, Legislative Decree no. 231/2001.

Daikin Applied Europe also assures:

- that standardised corporate provisions and/or procedures have been set up to provide principles of behaviour, operating methods for carrying out sensitive activities, and suitable methods for storage of significant documentation;
- that all operations relating to sensitive activities are traceable, with particular reference to: ***i)*** registration of every operation, with reference to the date of compilation, the date of acknowledgement of the document and the recognisable signature of the compiler and supervisor; ***ii)*** *ex post* verification, if necessary using suitable documentary means, of the decision-making process, with reference to the reasoning behind each operational decision, to guarantee maximum transparency; ***iii)*** detailed regulation of the ability to delete or destroy the records taken;
- adequate segregation of tasks, insofar as possible, with separation of the activities of persons giving authorisation, persons performing tasks and persons controlling and with identification of an Officer in charge of each sensitive activity, with particular reference to Company accounting and financial statement activities;
- periodic performance, by the Officer in charge of each sensitive activity, of monitoring activities, together with the preparation of relevant reports and transmission thereof to the Supervisory Body;
- a formalised system of proxies and duties, where necessary, that fulfil the following requirements: ***i)*** that the qualifications and professional skills of the proxy be in line with the organisational and management responsibilities assigned, providing, when required, for an indication of the levels of expenditure that can be approved; ***ii)*** express acceptance by the proxy and consequent taking on of the relevant obligations; ***iii)*** clear definition thereof, and of the respective contents and areas of operation; ***iv)*** knowledge within the Company and advertisement to external partners; ***v)*** definition of corporate roles with powers of expenditure, specifying the limits and nature of said expenditure;
- a filing system for documentation relating to sensitive areas, that guarantees the impossibility of modifying the data contained therein (without said modifications being highlighted), and in which the filed documents can only be accessed by persons who have been authorised to do so under internal regulations;
- the adoption of information technology systems that guarantee the correct and true assignment of each operation of a segment thereof to the party responsible for it and to the parties taking part in it, together with the inability to modify (without trace) any of the records.

In carrying out activities considered at risk, in order to prevent the commission of the crimes listed in this Special Section, the Company must also ensure:

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1.6 Principles and rules of behaviour for Recipients.

Recipients, identified in the light of the indications provided in the General Section (point 3.5) must:

- refrain from engaging in conduct liable to commit the offences pursuant to Art. 25ter of the Decree;
- refrain from engaging in conduct that, although not covered within the meaning of Art. 25ter of the Decree, have the potential to be considered as such;
- act in respect of the powers of representation and signature, within the scope of the duties and proxies conferred;
- behave in an ethical, traceable and transparent manner in all activities, in accordance with the law and internal company procedures.

- proceed with creation, preparation and auditing of the correctness of the Financial Statement and the other corporate notices foreseen by law in full compliance with legal and regulatory requirements, the accounting principles adopted and corporate procedures;
- enter accounting records in a proper, full and transparent manner, in compliance with accrual based accounting and respecting the principles of fairness and prudence.
- verify any differences in the results of the financial statement or periodic balance sheet results compared to the budget forecasts, ascertaining the reasons for said differences;
- ensure that all infra-group operations are fair;
- insofar as possible, produce and keep documentary records of the activities carried out, so as to guarantee constant monitoring and acknowledgement of the activity itself, in compliance with the set precepts and rules of behaviour and in order to allow the justification, at any time, of specific accounting decisions;
- notify any records that are illegal, incorrect, false, or that refer to suspicious operations or operations that are in conflict of interest;
- behave in a proper, transparent and co-operative manner with respect to the individuals charged with the offices of control, so as to allow them to carry out their institutional functions;
- provide the Auditors and the external auditors with free and timely access to the data and information required, and to guarantee the veracity, the completeness and the accuracy of said data and information;
- ensure proper running of the Company and the Company Bodies, guaranteeing and facilitating all forms of internal control on corporate management;

All the Recipients of this Model (identified pursuant to point 3.5 of the General Section) involved in sensitive activities for various reasons, are subject to the following prohibitions, as general rules of behaviour:

- prohibition from fraudulent practices by transparent management of own activities, with formal evidence of what has been carried out, with reference likewise to the criteria followed when evaluating the individual balance sheet items;
- prohibition from representing, inserting in the corporate information technology system, or transmitting - for the preparation and illustration of the financial statement or the other corporate notices - data that is false, incomplete or does not correspond to the true economic, asset and financial situation of the Company;
- prohibition, insofar as possible, from making frequent changes to the evaluation criteria used, which might create a suspicion of possible falsification of the financial statements;
- prohibition from omitting to communicate or show the data and information required by current regulations or by internal procedures regarding the economic, asset and financial situation of the Company;
- prohibition from conduct that impedes the performance of control activities by the Board of Auditors and the External Auditors, by concealing the documents and information required, or by providing incomplete, unclear and misleading documents and information;
- prohibition from restitution to partners of the contributions paid, or from releasing partners from the obligation to pay up contributions, except in cases of reduction of partnership capital foreseen by law;
- prohibition from distributing profits or down payments on profits that have not actually been made or have been destined under law to the reserves, and from distributing reserves, except in the cases expressly foreseen by law;

- prohibition from acquiring or subscribing shares in the company or in other companies belonging to the Daikin Applied Group except in the cases foreseen by law, to the detriment of the partnership capital;
- prohibition from carrying out reductions in partnership capital, mergers, demergers, special operations, in violation of the provisions set down by law to safeguard creditors.

1.7 Specific procedures

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1.8 Checks and information flow to the Supervisory Body

The Supervisory Body carries out periodic checks on the risk assets indicated above, in order to verify consistency with the requirements contained in the Organisational Model and, in particular, with the procedures that the Company has established to govern the carrying out of sensitive activities.

All business functions, senior management and/or those subject to management by other parties, together with the members of the corporate bodies, have an obligation to promptly inform the Supervisory Body of any requests formulated or of the occurrence of events or circumstances such as to suggest the committing of a possible offence under Legislative Decree no. 231/2001.

The Supervisory Board, with particular regard to crimes listed in the Legislative decree 231/2001, is the recipient, also through the whistleblowing procedure, of the following information flow:

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