



DAIKIN APPLIED EUROPE S.p.A.

Summary Document

relating to

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

“Organisational Model”

Special Section E

Corruption between private individuals

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1. CRIMES OF CORRUPTION AND INSTIGATION TO CORRUPTION BETWEEN PRIVATE PERSONS

1.1 Introduction

The offences dealt with in this Special Part are referred to in art. 25^{ter}, letter *s-bis*) of Legislative Decree no. 231/2001. Article 2635 of the Civil Code, dedicated to the offences in question, was modified by art. 1, paragraph 76, of Law no. 190 dated 6 November 2012 (*Provisions for the prevention and repression of corruption and illegality in the Public Administration*, the so-called “*Severino law*”), which has inaugurated the crime of corruption between private individuals, in place of the previous offence of “*breach of trust following dation or promise of assets*” and has also numbered it – only as regards the situation described in paragraph 3, as will be seen below – among the offences falling under the Administrative Responsibility of Entities, modifying art. 25^{ter} of the Decree.

Subsequently, Legislative Decree 38 of 15 March 2017, in addition to reforming the crime of corruption between private parties pursuant to art. 2635 of the Civil Code, introduced in Title XI of Book V of the Civil Code, art. 2635-*bis* containing a new type of “*instigation to corruption among private individuals*”. This case constitutes a special situation of attempted corruption that may be prosecuted by the injured party and carries a prison sentence for the crime referred to in the first paragraph of art. 2635, reduced by one third. Relevant conduct, 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 paragraphs below.

1.2 Corruption between private individuals (art. 2635, Civil Code)

Unless the offence represents a more serious crime, the provision in question punishes those who, while holding a certain position within the company (managers, general managers, auditors, liquidators, directors responsible for drawing up company accounts), also by a third party, after dation, the offer or promise, on their own account or for others, of money or other assets not due, carry out or omit to carry out actions in violation of the obligations assigned to their office or of the obligations of good faith, with attenuation of the penalty in the case that the offence is committed by a person subject to the management or supervision of one of the individuals indicated in paragraph one (likewise paragraph 2).

More specifically, for the purposes of liability on the part of the Entity, only the case under paragraph 3 is relevant - the only case referenced by art. 25^{ter}, letter *s - bis*), of the Decree - which punishes the individual who, also by third party, offers, gives or promises money or other benefits to the persons indicated in paragraph one and in paragraph two of art. 2635, Civil Code.

Relevant conduct, that may possibly give rise to the liability of the Entity, when committed in the interest or to the advantage of the latter, therefore consists in an offer or promise of money or other assets by an individual belonging to the Entity, either with a top management function or without, also by third party, to administrators, general managers, auditors, liquidators, directors responsible for drawing up the financial documents of another Company.

Finally, the penalty is doubled in cases where the Company to whom the persons receiving the offer or promise belong has shares listed on an Italian stock market or on that of another State in the European Union, or when said shares are in any case widely available to the public in significant measure, pursuant to art. 116 of the Consolidated Law on Financial Intermediation.

Therefore, following the 2017 reform, the offence may also be committed through a third party and also by those who perform management functions other than those contemplated by the rule and mentioned above. Again, during the reform, the text of the new art. 2635 of the Civil Code finally eliminated the reference to the necessity that the illicit conduct “causes harm to the company”. This change entails the transformation of the case from a crime of damage/event into a crime of danger/conduct, with a consequent greater risk of the crime being carried out in terms of abstract probability.

1.3 Instigation to corruption between private individuals (art. 2635-bis of the Civil Code)

For the purposes of the liability of the Entity, the situation referred to in paragraph 1 of art. 2635 bis of the Civil Code - the only one referred to in art. 25ter, lett. s - bis), of the Decree - which punishes the subject (so-called corruptor) who offers or promises money or other benefits not due to directors, general managers, managers in charge of preparing corporate accounting documents, auditors and/or liquidators of another entity or to subjects who carry out work for the same entity with the exercise of managerial functions (so-called corrupt persons) so that the latter perform or fail to perform acts, in violation of the obligations inherent to their office or of the obligations of loyalty, only occurs if the offer or promise are not accepted.

1.4 Sensitive activities

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1.5 The liabilities of the Company with regard to the question under analysis

Daikin Applied Europe is committed to base its operations on criteria of maximum transparency and good faith, in compliance with the above mentioned criminal 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 proper management of negotiations and relations with third parties and counter parties;
- 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, art. 25ter, lett. s-bis);
- the creation of suitable training operations for corporate staff regarding the potential risk of offences under Legislative Decree no. 231/01, art. 25ter, letter s-bis), with reference to questions regarding proper negotiations and management of relations with third parties and counter parties;
- 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. 25ter, letter s-bis);
- 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. 25ter, letter s-bis), 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;
- periodic performance, by the Officer in charge of each sensitive activity, of monitoring activities, together with the preparation, when required, 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.

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, letter s-bis) of the Decree;
- refrain from engaging in conduct that, although not covered within the meaning of Art. 25ter, letter s-bis) 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.
- when managing relations with qualified individuals from other Companies on behalf of the Company, provide superior officers in the corporate hierarchy with information and periodic reports on the results of activities performed;
- always check in advance that statements and documentation presented to the other parties is complete and correct;
- before stipulating contracts with any other party, verify the commercial and professional reliability, as well as the good faith, of that other party, notifying your immediate superior if any anomalies or suspicious elements are found;

- verify the activities carried out by the individuals (Company employees or associates) who have been assigned independent powers of payment and expenditure that can also be exercised separately;
- manage relations with the counter parties according to principles of transparency, good faith and truthfulness, communicating any critical events that may arise to the Officers responsible;
- subject to the authorisation of the Managing Director or the persons delegated to do so, assign tasks to external associates and consultants, for single activities and single duties, verifying the relevant activity carried out and formalising and documenting, wherever possible and above all in the case of more significant contracts, the reasons for selecting that associate and/or consultant (also bearing in mind the type of activity assigned and the place in which it is to be carried out) and considerations on the price applied (coherence and congruence);
- when carrying out operations to purchase or sale goods and/or services, verify in advance that the goods and/or services to be purchased or sold correspond to the needs of the company, and that the goods and/or services purchased or sold correspond perfectly with the incoming and outgoing amounts on the cash register.

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 dealing with qualified individuals from other Companies, also by third party, or with third party individuals, operating in areas where there is an instrumental or direct risk of committing the offence in question, except by the persons delegated to do so under the Daikin organisation chart and/or function chart and according to the system of proxies and powers of attorney adopted by the company;
- prohibition from offering or making, either directly or indirectly, undue payments and promises of personal advantage of whatever nature (including free availability of services, aimed at influencing decisions and transactions), to qualified individuals from other Companies, except in compliance with the rules drawn up by the Company regarding free gifts, which latter must in any case have a modest or symbolic value and be of a nature not to compromise the integrity and reputation of the parties and not to be considered aimed at the improper acquisition of benefits;
- prohibition from resorting to any form of pressure, deceit, suggestion or uptake of benevolence in the qualified individuals belonging to other Companies, of a nature likely to influence mutual relations, resulting in distortion of the competition;
- prohibition from making payments in cash, except those of a modest value, and of making payments, down-payments or deposits to current accounts other than those indicated in the contract and referred to the counter parties in negotiations;
- prohibition from issuing warrant of attorney to any external lawyer in the absence of a specific authorisation from the Managing Director or the Corporate Officer with the relevant power to do so;
- prohibition from paying the fees relating to the services of the external lawyer, in the absence of prior authorisation from the Company Officer responsible, and in the absence of prior attestation that the services have actually been rendered and assessment of the relevant congruence;
- prohibition from paying fees or benefits to consultants, associates, commercial partners of the Company that are not justified by the services actually rendered;

- prohibition from exhibiting or producing false and/or altered documentation or data relating to the Company or providing false information or omitting required information relating to said Company.

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.

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