

DAIKIN APPLIED EUROPE S.p.A.

Summary Document
concerning the

Organisation and Management Model
Legislative Decree No. 231/2001

"Organisational Model".

Special Part N
Smuggling

CONTENTS

1.	SMUGGLING	3
1.1	Introduction	3
1.2	The types of offences	3
1.3	The offences that are theoretically applicable to Daikin Applied Europe	7
1.4	Sensitive activities	7
1.5	The liabilities of the Company with regard to customs matters.....	8
1.6	Principles and rules of behaviour for Recipients	9
1.7	Specific Procedures and Operating Instructions	9
1.8	Checks and information flow to the Supervisory Board	9

1. SMUGGLING

1.1 Introduction

The smuggling offences referred to in this Special Part are referred to in Article 25-sexiesdecies of Legislative Decree 231/2001, introduced by Legislative Decree No. 75 of 14 July 2020, in implementation of the provisions of European legislation (EU Directive 2017/1371, so-called PIF Directive, on "combating fraud affecting the financial interests of the EU by means of criminal law") and the transposition law (European Delegation Law No. 117 of 4 October 2019).

The full text of Article 25-sexiesdecies is set out below:

Smuggling

"In relation to the commission of the offences set out in Presidential Decree no. 43 of 23 January 1973, pecuniary sanctions of up to two hundred shares are applied to the entity.

2. When the border duties owed exceed one hundred thousand euros, a monetary sanction of up to four hundred shares shall be applied to the entity.

3. In the cases provided for in paragraphs 1 and 2, the disqualification sanctions provided for in article 9, paragraph 2, letters c), d) and e) are applied to the entity. "

Specifically, smuggling offences (a typical criminal offence in customs matters) are governed by Articles 282 et seq. contained in Title VII, Chapter I, of Presidential Decree no. 43 of 23 January 1937, known as the Consolidated Customs Act (which governs and regulates customs exchanges).

More specifically, smuggling is understood as *"the conduct of anyone who brings into the territory of the State, in violation of customs provisions, goods that are subject to border duties"* and therefore the offences, which are considered harmful to the financial interests of the European Union, are essentially those cases of wilful evasion of goods from the payment of customs and border duties due (duties that customs is required to collect under a law, in relation to customs operations) in import/export relations with non-EU countries and therefore in the conduct of omitted or insufficient payment of customs duties, i.e. 'indirect taxes applied on the value of products imported and exported from the country that imposes them' and which represent one of the resources of the European Union.

Among customs duties, the following are "border duties": (i) import and export duties, (ii) levies and other import or export charges provided for in Community regulations and their implementing rules, and (iii) in respect of imported goods, monopoly duties and border surcharges and any other consumption taxes or surcharges in favour of the State.

The predicate offences referred to in Article 25-sexiesdecies of Legislative Decree 231/01 are described below.

1.2 The types of offences

The offence of smuggling in the movement of goods across land borders and customs areas (Article 282, Presidential Decree No. 43/1973)

"shall be punished by a fine of not less than two and not more than ten times the border duty owed by any person:

- a) introduces foreign goods across the land border in violation of the requirements, prohibitions and restrictions established pursuant to Article 16;*

- b) unloads or stores foreign goods in the intermediate space between the border and the nearest customs post;
- c) is caught with foreign goods concealed on his person or in his luggage or in packages or among other goods or in any means of transport in order to evade customs inspection;
- d) removes goods from the customs areas without having paid the duties due or without having guaranteed payment thereof, except as provided in Article 90;
- e) brings out of the customs territory, under the conditions laid down in the preceding subparagraphs, national or nationalised goods subject to border duties;
- f) holds foreign goods, when the circumstances provided for in the second paragraph of Article 25 for the offence of smuggling are applicable".

The offence of smuggling in the movement of goods in border lakes (Article 283, Presidential Decree No. 43/1973)

"shall be punished by a fine of not less than two and not more than ten times the boundary rights due the captain:

- a) *who brings foreign goods across Lake Maggiore or Lake Lugano into the Porlezza basins without presenting them to one of the national customs authorities nearest to the border, without prejudice to the exception provided for in the third paragraph of Article 102;*
- b) *who, without the permission of the customs, transporting foreign goods by ship in the parts of Lake Lugano where there is no customs, skirts the national shores opposite the foreign shores or casts anchor or stays at anchor or in any case puts himself in communication with the customs territory of the State, in such a way that it is easy to disembark or embark the goods, except in cases of force majeure.*

The same penalty shall apply to anyone who conceals foreign goods in the vessel for the purpose of evading customs inspection."

The offence of smuggling in the maritime movement of goods (Art. 284, Presidential Decree no. 43/1973)

"shall be punished by a fine of not less than two and not more than ten times the boundary rights due the captain:

- a) *who, without the permission of the customs, transporting foreign goods in vessels, touches the seashore or drops anchor or stands at anchor near the seashore, except in cases of force majeure;*
- b) *who, in the course of transporting foreign goods, calls at places where there are no customs, or disembarks or transships such goods in breach of the requirements, prohibitions and restrictions laid down pursuant to Article 16, except in cases of force majeure;*
- c) *transporting foreign goods without a manifest in a vessel with a net tonnage of not more than 200 tonnes in cases where a manifest is required;*
- d) *that at the time of the vessel's departure it does not have on board the foreign goods or the national goods for export with refund of duties that should be found there according to the manifest and other customs documents;*
- e) *transporting foreign goods from one customs post to another, in a vessel with a net tonnage of not more than fifty tonnes, without the relevant bond note;*
- f) *who has taken on board foreign goods leaving the customs territory on a vessel of not more than 50 tonnes, except as provided in Article 254 in respect of the taking on board of ship's stores.*

The same shall apply to any person who conceals foreign goods in a ship for the purpose of evading customs inspection. "

The offence of smuggling in the movement of goods by air (Art. D285,. P. R. n. 43/1973)

"shall be punished by a fine of not less than two and not more than ten times the border charges due the commander of the aircraft:

- a) who transports foreign goods into the territory of the State without holding a manifest, where one is required;*
- b) who, at the time of departure of the aircraft, does not have on board the foreign goods, which should be there according to the manifest and other customs documents;*
- c) who removes goods from the places where the aircraft lands without carrying out the prescribed customs operations;*
- d) who, landing outside a customs airport, fails to report the landing to the authorities referred to in Article 114 within the shortest possible time. In such cases, in addition to the cargo, the aircraft shall also be regarded as having been smuggled into the customs territory.*

The same punishment shall apply to anyone who, from an aircraft in flight, throws foreign goods into the customs territory or hides them in the aircraft for the purpose of evading customs inspection. The above penalties shall apply irrespective of those imposed for the same act by the special laws on air navigation, insofar as they do not relate to customs matters. "

The offence of smuggling in non-customs areas (Art. 286, Presidential Decree no. 43/1973)

"Any person who, in the non-customs territories referred to in Article 2, sets up unauthorised warehouses of foreign goods subject to border duties, or sets up such warehouses in excess of the permitted amount, shall be punished by a fine of not less than two and not more than ten times the border duty due.

The offence of smuggling by improper use of goods imported with customs facilities (Art. 287, D. P. R. n. 43/1973)

"A fine of not less than two and not more than ten times the amount of the border duty due shall be imposed on any person who gives foreign goods imported free of duty or with a reduction in duty, either wholly or in part, a destination or use other than that for which relief or reduction was granted, without prejudice to the provisions of Article 140.

The offence of smuggling in customs warehouses (Art. 288, Presidential Decree no. 43/1973)

"The licensee of a privately-owned customs warehouse who holds foreign goods there for which the prescribed declaration of introduction has not been made or which have not been entered in the warehouse registers shall be liable to a fine of not less than two and not more than ten times the border duty due.

The offence of smuggling in cabotage and traffic (Art. 289, D. P.R. n. 43/1973)

"a fine of not less than two and not more than ten times the border duty due shall be imposed on any person who brings into the State foreign goods in place of national or nationalised goods shipped in cabotage or in circulation. "

The offence of smuggling in the export of goods eligible for duty drawback (Article 290, Presidential Decree No 43/1973)

"Whoever uses fraudulent means for the purpose of obtaining an undue refund of duties laid down in respect of the importation of raw materials used in the manufacture of domestic goods which are exported, shall be punished with a fine of not less than twice the amount of the duties which he unduly collected or attempted to collect, and not more than ten times the amount of such duties. "

The offence of smuggling in temporary importation or exportation (Article 291, Presidential Decree No 43/1973)

"Whoever in import or temporary export transactions or in re-export and re-import transactions, in order to evade the payment of duties which should be due, subjects the goods to artificial manipulation or uses other fraudulent means, shall be punished with a fine of not less than two and not more than ten times the amount of duties evaded or attempted to be evaded. "

The offence of smuggling of foreign manufactured tobacco (Article 291-bis, Presidential Decree No 43/1973)

"Whoever introduces, sells, transports, acquires or holds in the territory of the State a quantity of smuggled foreign processed tobacco exceeding ten conventional kilograms shall be punished by a fine of ten thousand lire for each conventional gram of product, as defined in Article 9 of Law No 76 of 7 March 1985, and by imprisonment from two to five years. 2. The acts provided for in paragraph 1, when they concern a quantity of foreign processed tobacco up to ten conventional kilograms, are punished with a fine of ten thousand lire for each conventional gram of product and in any case with a minimum of one million lire".

Aggravating circumstances of the offence of smuggling foreign manufactured tobacco (Article 291-ter, Presidential Decree No 43/1973)

"If the acts provided for in Article 291-bis are committed using means of transport belonging to persons not involved in the offence, the penalty shall be increased.

2. In the cases provided for in Article 291-bis, a fine of fifty thousand lire for each conventional gram of product and imprisonment from three to seven years shall apply when a) in committing the offence or in the conduct aimed at securing the price, product, profit or impunity of the offence, the offender makes use of weapons or is found to have possessed them in the commission of the offence; b) in committing the offence or immediately afterwards the offender is caught together with two or more persons in such a condition as to obstruct the police authorities; c) the fact is connected with another offence against public faith or against the public administration; d) in committing the offence the perpetrator has used means of transport which, compared to the approved characteristics, have alterations or modifications likely to hinder the intervention of the police organs or to cause danger to public safety; e) in committing the offence, the perpetrator used partnerships or corporations or made use of financial assets in any way established in States that have not ratified the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, done at Strasbourg on 8 November 1990, ratified and made enforceable pursuant to Law no. 328 of 9 August 1993, and that in any case have not ratified the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, done at Strasbourg on 8 November 1990, ratified and made enforceable pursuant to Law no. 328 of 9 August 1993, and that in any case have not ratified the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. 328 of 9 August 1993, and which have not concluded and ratified conventions on judicial assistance with Italy concerning the crime of smuggling.

3. The mitigating circumstance provided for in Article 62-bis of the Criminal Code, if concurrent with the aggravating circumstances referred to in letters a) and d) of paragraph 2 of this Article, cannot be considered equivalent or prevailing over them and the reduction of the penalty shall be applied to the amount of the penalty resulting from the increase resulting from the aforementioned aggravating circumstances). "

The offence of criminal association for the purpose of smuggling foreign manufactured tobacco (Article 291-quater of Presidential Decree no. 43/1973)

"1. When three or more persons associate for the purpose of committing more than one of the offences set forth in Article 291-bis, those who promote, constitute, direct, organise or finance the association shall be punished with imprisonment from three to eight years.

2. Participation in the association is punishable by imprisonment from one year to six years.

3. The penalty shall be increased if the number of associates is ten or more.

If the association is armed, or if the circumstances provided for in letters d) or e) of paragraph 2 of Article 291-ter apply, the penalty is imprisonment of from five to fifteen years in the cases provided for in paragraph 1 of this Article, and from four to ten years in the cases provided for in paragraph 2. The association is considered armed when the participants have the availability, for the achievement of the association's aims, of weapons or explosive materials, even if concealed or kept in a storage place.

5. The penalties provided for in Articles 291-bis, 291-ter and in this Article shall be reduced by between one third and one half for the defendant who, disassociating himself from the others, takes action to prevent the criminal activity from having further consequences also by concretely helping the police or the judicial authority in the collection of decisive elements for the reconstruction of the facts and for the identification or capture of the perpetrators of the offence or for the identification of resources relevant to the commission of the offences".

Other cases of smuggling (Article 292, Presidential Decree No 43/1973)

"Whoever, other than in the cases provided for in the preceding Articles, withholds goods from payment of the border duties due shall be punished by a fine of not less than two and not more than ten times such duties."

Penalty for smuggling where the object of the offence has not been established or has been incompletely established (Article 294, Presidential Decree No 43/1973)

"In cases of smuggling, if the quality, quantity and value of the goods could not be ascertained in whole or in part due to the fault of the guilty party, a fine of up to five hundred thousand lire shall be imposed instead of the proportional penalty.

In any case, the penalty shall not be less than twice the amount of the duty due on the quantity of goods which it has been possible to ascertain. "

Aggravating circumstances of smuggling (Article 295, Presidential Decree no. 43/1973)

"For the offences provided for in the preceding articles, a fine of not less than five and not more than ten times the border duty due shall be imposed on any person who, in order to commit the smuggling, uses means of transport belonging to a person who is not a party to the offence. For the same offences, the fine shall be increased by imprisonment for a term of between three and five years. a) when in committing the offence, or immediately thereafter in the surveillance zone, the offender is caught with an armed hand;

(b) when, in the course of committing the offence, or immediately thereafter in the surveillance zone, three or more persons guilty of smuggling are caught together and in such a state as to obstruct the police;

(c) when the act is committed with another offence against public faith or against the public administration;

d) when the offender is an associate for the commission of smuggling offences and the offence committed is among those for which the association was established. For the same offences, imprisonment of up to three years shall be added to the fine when the amount of the border duties due is greater than ninety-six million eight hundred thousand lire. "

1.3 The offences that are theoretically applicable to Daikin Applied Europe

OMISSIS

1.4 Sensitive activities

OMISSIS

1.5 The liabilities of the Company with regard to customs matters

Daikin Applied Europe is committed to the utmost transparency and fairness in its activities, in compliance with applicable regulations and any other relevant provisions. To this end, the commitments made by the Company are as follows:

- orientate employees and those who work on behalf of the Company towards a culture of responsibility and attention to the issues of proper management of corporate activities, i.e. pursue the objective of developing within the corporate context the culture of *compliance*, making all corporate bodies and staff aware of the need to comply with the key principles of the law and regulations in the sector when carrying out corporate activities;
- ensure that all activities are carried out in full compliance with the applicable legal and customs regulations and with all the company rules aimed at preventing the possible commission of the offences referred to in Legislative Decree 231/01, as well as in the awareness, on the part of the staff involved in the sensitive processes identified above, of the potential risks of offences referred to in the same Legislative Decree 231/01;
- organise meetings and/or *training* courses for company staff on the potential risks of offences under Legislative Decree 231/01;
- provide for a disciplinary system capable of penalising failure to comply with the measures indicated in the Organisational Model in order to prevent the offences referred to in Legislative Decree 231/01;
- provide for appropriate information flows from the staff to the Supervisory Board (hereinafter, "SB") of the Company concerning any criticality capable of determining the risk of commission of the offences referred to in Legislative Decree 231/01.

Daikin Applied Europe also ensures:

- the existence of appropriate provisions to provide principles of conduct, operating methods for carrying out sensitive activities, as well as appropriate procedures for filing the relevant documents;
- the definition of roles and responsibilities in relation to the management of import and customs activities and related control activities;
- adequate segregation of duties, as far as possible, with separation of activities between those who authorise, those who execute and those who control, and with identification, as far as possible, of a person responsible for each sensitive activity;
- formalisation in a specific contract with any intermediaries and customs operators;
- appropriate methods of archiving the relevant documents, in order to ensure that the data stored therein cannot be modified (except with appropriate evidence), and that only persons authorised under internal rules can access documents already archived;
- periodic checks on imports and customs activities (hierarchical and external subject/consultant checks);
- a formalised system of powers of attorney and proxies, where necessary, complying with the following requirements i) consistency of the delegate's qualifications and professional skills with the organisational and management responsibilities assigned, with provision, where required, for the indication of the approval thresholds for the relevant expenses; ii) express acceptance by the delegate and consequent assumption of the relevant obligations; iii) clear definition of the same and of the respective contents and operating areas; iv) knowability within the Company and publicity

towards external stakeholders; v) definition of the corporate roles with spending powers, with specification of the limits and nature of the expenses themselves;

- that each operation carried out by the Company is not only correctly recorded, but also authorised, verifiable, legitimate and consistent with the reference documentation.

OMISSIS

1.6 Principles and rules of behaviour for Recipients

The Recipients, identified as specified in the General Section (point 3.5), must:

- refrain from engaging in conduct capable of committing the offences referred to in Legislative Decree 231/01 or conduct which, although it does not constitute the offences referred to in Legislative Decree 231/01, is potentially capable of committing them;
- act in compliance with the powers of representation and signature, within the framework of the delegations/proxies conferred;
- behave correctly and transparently, in compliance with the law and internal company procedures, in all activities;
- importing goods from non-EU countries in compliance with customs regulations and paying customs duties and taxes due, keeping customs documentation.

The following prohibitions, as general principles of conduct, are also addressed to all the Recipients of this Model, involved in various ways in sensitive activities:

- evading, or attempting to evade, the payment of import or transfer goods in respect of the prescribed duties or border rights, or engaging in any fraudulent practice designed to alter the true nature, quantity, quality, value, origin, classification and destination and handling of such goods;
- introducing foreign goods across borders in violation of the requirements, prohibitions and limitations set out in the Consolidated Text of Customs Laws (Presidential Decree 43/1973) and in general of the legislative provisions on customs matters.

1.7 Specific Procedures and Operating Instructions

OMISSIS

1.8 Checks and information flow to the Supervisory Board

The Supervisory Board carries out periodic checks on the risk activities indicated above, in order to verify their consistency with the provisions contained in the Organisational Model and, in particular, with the procedures which the Company has defined to govern the performance of sensitive activities.

All company departments, whether senior management and/or subordinate to the management of others, as well as the members of corporate bodies, are obliged to promptly inform the Supervisory Board of any requests made by the latter or of the occurrence of events or circumstances such as to suggest the commission of a possible offence under Legislative Decree 231/2001.

OMISSIS