



Daikin Air Conditioning Italy S.p.A.

ORGANISATION, MANAGEMENT AND CONTROL MODEL

PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

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DEFINITIONS

The definitions below apply to all the parts, both general and special, of the Organisation Management and Control Model.

- **"Agents"**: subjects with which DACI has established an agency relationship for activities to sell Daikin products.
- **"Sensitive Activities"**: activities performed by DACI in the context of which there is a risk of the contemplated crimes being committed.
- **"CCNL"**: National Collective Labour Contract applied by Daikin (Commerce Contract).
- **"BoD"** or **"Board of Directors"**: the DACI Board of Directors.
- **"External Collaborators"**: Agents, Consultants, Partner Installers, Franchisees and Suppliers, considered as a whole.
- **"Consultants"**: those who act in the name of and/or on the account of DACI or who collaborate with them on the basis of a consulting mandate.
- **"Recipients"**: subjects to which this Model applies, identified in paragraph 3.6 of the General Part.
- **"Employees"**: individuals with a subordinate employment relationship with the Company or those who carry out work activities for the Company based on a contract with the same.
- **"Italian Legislative Decree 231/2001" or "Decree 231" or the "Decree"**: Italian Legislative Decree no. 231 of 8 June 2001.
- **"Daikin Air Conditioning Italy", "DACI" or the "Company"**: Daikin Air Conditioning Italy S.p.A., with registered office in Via Ripamonti 85, Milano (MI), 20139, Italy.
- **"Suppliers"**: suppliers of goods and services to the Company.
- **"Franchisee"**: stores operating under a franchising agreement, currently present throughout Italy under the Daikin Aerotech banner.
- **"Daikin Group" or the "Group"**: corporate group to which DACI belongs, ultimately reporting to Daikin Industries Ltd., with registered office in Japan and, reporting at the intermediate level to the holding company Daikin Europe N.V., with registered office in Belgium.
- **"Guidelines"**: the Guidelines for developing organisation, management and control models pursuant to Italian Legislative Decree 231/2001, approved by Confindustria on 7 March 2002 and most recently updated in 2014.
- **"Model" or the "Model 231"**: the organisation, management and control model foreseen in Italian Legislative Decree 231/2001 as prepared by DACI.
- **"Supervisory Body" or "ODV"**: body of the entity which, based on Italian Legislative Decree 231/2001, is responsible for supervising the functioning and observance of the Model and updating of the same.
- **"Partner Installer"**: Daikin selected installers.
- **"P.A."**: the Public Administration¹;

¹ All government administrations (including institutions and schools of every level and degree and educational institutions, government companies and administrations with independent regulations), the Regions, the Provinces, the Municipalities, Mountain Communities and their consortia and associations, university institutions, independent public housing institutions, Chambers of Commerce and their associations, the Ministries, all national, regional and local non-economic public entities, administrations, companies and entities within the national healthcare service, the Public Administration Negotiation Agency (ARAN) and the Agencies pursuant to Italian Legislative Decree 300 of 30 July 1999, as well as all those who exercise public powers and/or public functions, including, solely by way of example:

- persons who carry out functions or activities corresponding with those of public officials and those in charge of a public service;

- **"Products" or "Daikin Products"**: air conditioning systems and any other product sold by DACI.
- **"Crimes" or "Contemplated Crimes"**: the types of crimes and corporate crimes that may lead to corporate liability pursuant to Italian Legislative Decree 231/2001.

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- members of the European Community Commission, European Parliament, European Community Court of Justice and European Community Auditors' Department;
 - the officials and agents hired by contract pursuant to the statute of the European Community officials or the regime applicable to the European Community agents;
 - the persons controlled by the Member States or any public or private body at the European Community, whose duties correspond to those of European Community officials or agents;
 - the members and appointed subjects of bodies constituted on the basis of the Treatises on which the European Community is founded;
 - those who, within the sphere of the Member States of the European Union, perform duties or activities corresponding to those of public officials or persons charged to perform a public service;
 - officials of foreign states;
 - persons who carry out functions or activities corresponding with those of public officials and those in charge of a public service in the context of other foreign states or public international organisations.

GENERAL SECTION

CHAPTER 1

Corporate liability pursuant to Italian Legislative Decree 231/2001

1. Corporate liability deriving from a crime by the company: Legislative Decree 231/2001

Legislative Decree 231/2001 governs the "*corporate liability of legal entities, companies and associations, even without legal personality*".

Since 2001, under certain conditions collective entities, including companies, may be held liable for certain penal and administrative crimes (known as *contemplated crimes*) which natural persons who represent them commit in their work.

More specifically, the criteria for applying corporate liability requires, in the first place, that the crime was objectively committed in the interest or to the advantage of the entity by:

- a) **top management**, that is persons holding positions of representation, administration or management of the company or one of its organisational units with financial and functional autonomy as well as persons who in fact manage and control the same, even de facto (for example, directors, even de facto, or general managers);
- b) **subordinates**, that is persons subject to management or supervision by the former category (e.g. office workers or other employees not high up on the organisation chart).

2. The organisation model

In the second place, more subjectively, the criteria set out that the collective entity is liable for the crime committed by a natural person for its benefit if there is "**organisational guilt**". Liability deriving from Legislative Decree 231/2001 therefore applies in the case in which the entity has not adopted and effectively implemented an **organisation, management and control model** aimed at preventing crimes of the type which occurred.

Specifically, Italian Legislative Decree 231/2001 distinguishes between crimes committed by top management and by subordinates, but in both cases the presence or lack of an organisation model is the key factor that may allow the legal entity to be exempt from liability.

Based on **article 6** of Decree 231, in the case of a crime committed by a person who is **top management**, the entity is not liable if it proves:

- a) that it has adopted and effectively implemented through its management body, before the crime was committed, a model suitable for prevention of crimes of the kind that have occurred;
- b) that it has entrusted to an internal body, provided with autonomous powers of initiative and control, the task of overseeing operation of and compliance with the Model, as well as ensuring it is updated;
- c) that the persons who committed the crime acted fraudulently avoiding said model;
- d) that there was no lack or insufficient supervision on the part of the body pursuant to letter. b) above.

Based on **article 7** of Decree 231, in the case of a crime committed by a **subordinate**, the entity is responsible if the offence has been made possible by failure to observe the management or supervisory obligations.

This failure is, however, excluded if the entity, before the offence is committed, has adopted and effectively implemented an organisation, management and control model suitable for prevention of the crimes of the type that has been committed.

Decree 231 also envisages that the Model must meet the following requirements:

- i. identify areas at risk (also known as "sensitive activities") for the commission of the Contemplated Crimes;
- ii. include specific protocols aimed at programming the development and the implementation of the company's decisions regarding the crimes to be prevented;
- iii. identify methods for the management of the financial resources which can prevent the Contemplated Crimes from being committed;
- iv. prescribe obligations of informing the body responsible for overseeing the operation of and compliance with the Model;
- v. adopt an internal disciplinary system which sanctions failure to respect the measures indicated in the Model.

Additionally, the organisation model must be calibrated to the nature and size of the organisation, as well as the type of activities it performs.

It must also remain suitable over time, meaning it must be kept up to date relative to any changes, whether at the legislative level or relative to the organisation and company activities.

Following the entry into force of the Law 179/2017 containing "*Provisions for the protection of perpetrators of reports of offenses or irregularities which have come to light in the context of a public or private employment relationship*", which amended art. 6 of Decree 231/2001, adding the paragraphs 2-bis, 2-ter, 2-quater, the Model must also include to be considered suitable:

- one or more communication channels that allow the top managers and subordinates to present, to protect the integrity of the entity, detailed reports of illicit conduct, relevant pursuant to Legislative Decree no. lgs. 231/2001 and based on precise and concordant factual elements, or violations of Model of the entity, of which they have come to know due to the functions performed; these channels must guarantee the confidentiality of the identity of the *whistleblower* in the management of the report and at least one of these must be suitable to guarantee such confidentiality by computerized means;
- the prohibition of acts of retaliation or discriminatory, direct or indirect, against the *whistleblower* for reasons connected directly or indirectly to the report;
- integration of the disciplinary system with sanctions against those who violate the protection measures of the reporting party, as well as those who carry out with malice or gross negligence reports that prove to be unfounded.

Essentially, if within the context of a company a crime is committed in its interest or to its advantage by a member of top management or a subordinate, and the entity lacks a model suitable to prevent the type of crime which occurred, which is tailored to its specific organisational and business identity, and effectively implemented, not only may the natural person who committed the crime be prosecuted in the criminal system, but the company itself may also be prosecuted.

3. Contemplated crimes and the system of sanctions

The crimes currently found on the list of contemplated crimes are the following:

- (i) crimes committed in relations with the Public Administration (articles 24 and 25, as amended by Italian Law 190 of 6 November 2012 and, most recently, by Italian Law 69 of 27 May 2015);
- (ii) crimes of counterfeit currency, public credit papers, stamp duty instruments and instruments or signs of recognition (article 25-*bis*, introduced with Legislative Decree 350 of 25 September 2001, subsequently amended with Italian Law 99 of 23 July 2009);
- (iii) corporate crimes (article 25-*ter* introduced by Legislative Decree 61 of 11 April 2002, subsequently amended with the addition of the crime of "corruption between private subjects" by Law 190 of 6 November 2012 and, most recently, amended by Law 69 of 27 May 2015);
- (iv) crimes with terrorist objectives or with the aim to subvert democracy (article 25-*quater*, introduced with Law 7 of 14 January 2003);
- (v) female genital mutilation practices (article 25-*quater*-1, introduced with Law 7 of 9 January 2006);
- (vi) crimes against the individual (article 25-*quinquies*, introduced by Law 228 of 11 August 2003, and most recently amended by Legislative Decree 39 of 4 March 2014);
- (vii) market abuse crimes and administrative offences (article 25-*sexies*, introduced by Law 62 of 18 April 2005);
- (viii) "transnational" crimes (introduced by Law 146 of 16 March 2006);
- (ix) crimes of manslaughter and serious or very serious injury due to negligence in breach of workplace health and safety laws (article 25-*septies*, introduced by Law 123 of 3 August 2007, subsequently replaced by Legislative Decree 81 of 9 April 2008);
- (x) crimes of receiving, laundering, and use of money, goods or benefits of criminal origin, as well as self-laundering (article 25-*octies*, introduced by Legislative Decree 231 of 21 November 2007, with the crime of "self-laundering" subsequently added by Law 186 of 15 December 2014);
- (xi) computer crimes and illicit data processing (article 24-*bis*, introduced by Law 48 of 18 March 2008);
- (xii) crimes against industry and commerce (article 25-*bis*-1, introduced by Law 99 of 23 July 2009);
- (xiii) organised crime (article 24-*ter*, introduced by Law 94 of 15 July 2009 and, most recently, amended by Law 69 of 27 May 2015);
- (xiv) crimes of copyright infringement (article 25-*novies*, introduced by Law 99 of 23 July 2009);
- (xv) the crime of incitement not to make statements or to make false statements to the judicial authorities (article 25-*decies*, introduced by Law 116 of 3 August 2009 and subsequently amended by Legislative Decree 121 of 07 July 2011);
- (xvi) environmental crimes (article 25-*undecies* introduced by Legislative Decree 121 of 7 July 2011, subsequently amended with the addition of new crimes by Law 68 of 22 May 2015);
- (xvii) employing citizens of non-EU countries without legal residence permits (article 25-*duodecies*, introduced by Legislative Decree 109 of 16 July 2012).

Additional types of crime may be added by lawmakers to the regulations established in Legislative Decree in the future 231/2001.

We note that crimes committed above may also result in corporate liability pursuant to Decree 231. The individual cases are described in detail in the relative Special Parts.

The sanctions envisaged for the company in Decree 231 vary widely: they include both monetary **fin**es commensurate with the seriousness of the crime and the economic/equity conditions of the entity and - for the most serious crimes - **disqualifying** sanctions, which may range from the revocation of contributions, prohibitions on advertising goods or services, to a prohibition of making contracts with the PA or temporary or definitive prohibitions of carrying out business.

The sanction structure also includes **confiscation** of the price or profit of the crime, which is always envisaged, and **publication** of the sentence.

CHAPTER 2

Daikin Air Conditioning Italy S.p.A.

1. Daikin Air Conditioning Italy S.p.A.

Daikin Air Conditioning Italy S.p.A. (hereafter, also "DACI") is an Italian company that is affiliated with the Daikin Industries Limited Group (hereafter "Daikin Group"), a multinational group founded in Japan in 1924.

DACI was established as a joint stock company in 2001, with its share capital resolved, subscribed and fully paid in at Euro 10,000,000.00.

The company is 100% controlled by Daikin Europe N.V. (hereafter "DENV"), with registered office in Belgium, and is subject to management and coordination by the same pursuant to articles 2497 and subsequent of the Italian Civil Code.

DACI's management system is of the traditional type, with a 3-member Board of Directors, with one appointed as Chairman, who at present is also the Managing Director. The Board of Statutory Auditors consists of 5 members, with three standing members, one of whom is Chairman, and two alternate auditors. Finally, the company is subject to independent auditing by Deloitte & Touche S.p.A.

DACI's activities include sales, importing, exporting and installation of systems and spare parts for fixed heating and air conditioning under the Daikin brand, both for professional and domestic use, as well as the provision of specialised consulting services, after-sales assistance and technical training.

As part of its constant growth, aimed at gradually integrating various protocols and services, between 2009 and 2011 DACI incorporated the companies Mc Quay Service and Rotex Heating Systems, absorbing their technical knowledge.

Its mission is to propose cutting edge products that are highly efficient, offering global technological solutions designed to guarantee excellent environmental comfort with the utmost respect for the ecosystem.

2. National presence

DACI has three locations within Italy that ensure a widespread presence with its professional and private customers.

The main offices are located in Milan, Italy. The company's management departments are located here.

This location is supported by Genoa, where the Technical and Training Department is located, and Rome, a location established to provide a presence for central and southern customers.

At present DACI employs more than 200 workers.



The Company operates on the market through a sales network consisting of several dozens of representation agencies, some of which work solely on the Eldom distribution channel (appliance stores).

It makes use of an assistance service consisting of a widespread network of Authorised Service Centres (hereafter, "ASC").

DACI also relies on a chain of stores operating in franchising, currently present throughout Italy under the Daikin Aerotech banner. These involve dozens of air conditioning showrooms offering complete services to customers: displays of operating products, design, sales, installation and assistance.

For the final user, DACI also works through the distribution network La Casa del Condizionatore - numerous selected sales points, for which a coordinated image has been developed.

The Partner Installers are specialised in the commercial lines. These are several hundred selected Daikin installers who mainly work with Sky Air, Hydronic Systems, Vam, VRV and Package.

Distribution of Daikin products is also done through plumbing wholesalers located throughout Italy.

3. DACI's identity and values

DACI structures its activities around the basic principles that have always distinguished the Daikin Group, joining the Japanese managerial culture focussed on cooperation and rigour with the Italian entrepreneurial tradition, with both Japanese and Italian employees found at all levels of the organisation, even at the very top.

DACI acts in accordance with the global Brand policies, based on respect for the environment, attention to health and safety, social responsibility and customer satisfaction.

The Company makes the fundamental values of the Daikin Group its own, as also outlined in the European Daikin Group Code of Ethics which constitutes an integral part of this Model, and is published on the website www.daikin.it, at https://www.daikin.it/it_it/chi-siamo/la-filosfia-daikin.html, to which the reader is referred. The values enshrined in the European Daikin Group's Code of Ethics include absolute *reliability*, through a commitment to build relationships with customers, colleagues, sales partners and the entire community based on trust and availability; in *enterprising management*, that is a commitment to build the company through employee initiative and excellence; and in *harmonious personal relationships*, a commitment to a working environment based on cooperation and commitment to achieve Daikin's objectives and overcome challenges.

The Company - in line with the best practices and suggestions published by trade organisations - has adopted the European Daikin Group's Code of Ethics and its values, accompanying them with ethical principles in harmony with the national legal standards and business ethics outlined in the Appendix to this document.

4. Quality certification

As part of its constant search for excellence, DACI has received various quality certifications.

In fact, it has obtained the Bureau Veritas Quality Management System certification in compliance with the ISO 9001:2015 standard, a quality management system relative to sales and after-sales processes, specialised consulting, after-sales assistance and training courses offered to its network.

It has also received the Bureau Veritas Environmental Management System certification in compliance with the ISO 14001:2015 standard. ISO 14001 certification guarantees the application of an effective environmental management system by Daikin Italy, able to protect people and the environment from the potential impact produced by the company's activities.

Finally, DACI also obtained Bureau Veritas certification relative to SA 8000: 2014. This regulation guarantees ethical behaviour by the company relative to workers throughout the supply chain.

CHAPTER 3

Adoption of the model by Daikin Air Conditioning Italy S.p.A.

1. DACI and adoption of the Model

As part of DACI's wider commitment to creating a working environment that is appropriate and in compliance with the law, the Company has decided to develop this present organisation, management and control model, shaped to its own corporate identity and updated to comply with current legislation, jurisprudence and corporate best practices relative to Decree 231.

Adoption of the Model occurred through a resolution made by the Board of Directors on 27th of July 2017 and the Model has been updated in relation to the requirements referred to in Law. 179/2017 concerning the *whistleblowing* on 22nd of June 2018.

To implement that foreseen in the Decree, on the same day the Company assigned a collegial body to take on the responsibilities of the Supervisory Body, specifically supervising the operation, efficacy and observance of the Model itself, as well as ensuring it remains up to date.

All Sensitive Activities therefore must be carried out in compliance with the laws in effect, as well as the Group's procedures, rules and corporate policies, and in general all the rules contained in this Model or referenced therein.

Given that Legislative Decree 231/2001 delegates to the administrative body the adoption and implementation of the organisation model, amendments, updates and additions to this Model are the responsibility of the Board of Directors, after hearing from the ODV.

2. The Guidelines

When preparing this Model, DACI made reference to the Guidelines issued by Confindustria, as updated in March 2014, both relative to the general and the special parts of Model 231. The fundamental issues identified by the Guidelines can be summarised as follows:

- identification of areas at risk, aimed at determining the company areas/sectors that could see the commission of the Crimes;
- preparation of a control system able to prevent risks, through the adoption of specific procedures. The most significant components of this control system are the following:
 - Code of Ethics (or Code of Conduct);
 - organisation system;
 - company procedures;
 - authorisation and signatory powers;

- control and management systems;
- communication and training.

The components of the control system must be inspired by the principles below:

- verifiability, documentability, consistency and congruence for every operation;
- documentation of controls;
- establishment of an adequate system of sanctions;
- identification of the requirements of the Supervisory Body, summarised as follows:
 - i. autonomy and independence;
 - ii. professionalism;
 - iii. continuity of work.
- obligations to notify the Supervisory Body.

3. Model 231: purpose

This Model 231 represents the construction of a structured and organic systems of behavioural guidelines, procedures, information flows and control activities, aimed at preventing and discouraging the various Contemplated Crimes identified in Legislative Decree 231/2001.

Transparency, formalisation and separation of responsibilities are key elements of the model relative to the assignment of responsibilities and operating activities.

Generally, the Company's organisation system meets the essential requirements of clarity, formalisation, communication and separation of roles, in particular for that relative to the assignment of responsibilities, representation, definition of hierarchical structures and operating activities.

The arrival of this document is the result of careful analysis of the company's status, which involved examination of existing procedures and control systems, which are already well established within the company, to determine those able to simultaneously service as crime prevention measures and controls over processes involved in sensitive activities.

Therefore, a detailed risk assessment was done, with the goal of identifying possible crime risks associated with the execution of company activities, and the hypothetical methods by which they could be committed, by studying the Company's organisational and business structures, its current procedures and operating mechanisms and directly interviewing numerous company representatives. This made it possible to identify and fill existing gaps, through discussion with the affected departments, and allowing identification of better and more efficient methods of controlling and preventing risks.

Additionally, with the support of the Supervisory Body, the Company constantly monitored the degree to which the model conforms to the current company and legislative structure, quickly amending actions when these change or when daily operating actions lead to the identification of inefficiencies. In fact, proposed amendments can be presented by the Supervisory Body, including on the basis of notifications received from the managers of various company departments.

The Supervisory Body also receives reports of illicit conduct or breaches of the Model through specific whistleblowing channels.

DACI specifically identified sensitive activities and also identified and integrated, when necessary, risk containment protocols. DACI has also adopted the relative special parts for the relevant crime areas.

4. The structure of the Model

This Model consists of:

- (i) a “**General Part**”, which contains all of the rules and main general principles dictated by the Model;
- (ii) **11 “Special Parts”** containing rules and behavioural guidelines aimed at preventing the individual types of crime discussed therein:
 - Special Part 1, dedicated to the area of crimes against the Public Administration or that damage the State or another public entity or judicial authority, hence concerning the cases referred to in articles 24, 25 and 25-*decies* of Decree 231;
 - Special Part 2, dedicated to corporate crimes and hence concerning the cases pursuant to article 25-*ter* of Decree 231 (with the exception of the crime of “*corruption between private subjects*”, the subject of Special Part 11);
 - Special Part 3, is dedicated to money laundering crimes and crimes with terrorist objectives or with the aim to subvert democracy, hence concerning the cases pursuant to articles 25-*octies* and 25-*quater* of Decree 231;
 - Special Part 4, dedicated to crimes against the individual and employing citizens of non-EU countries without legal residence permits, as well as “*caporalato*” (ill-treated agricultural workers) and hence concerning the cases pursuant to articles 25-*quinquies* and 25-*duodecies* of Decree 231;
 - Special Part 5, dedicated to crimes relative to health and safety in the workplace and hence concerning crimes pursuant to article 25-*septies* of Decree 231;
 - Special Part 6, dedicated to administrative crimes and offences and market abuse and hence concerning crimes pursuant to article 25-*sexies* of Decree 231;
 - Special Part 7, dedicated to organised crime, including transnational and hence concerning the cases pursuant to article 24-*ter* of Decree 231;
 - Special Part 8, dedicated to computer crimes and copyright violations, hence concerning crimes pursuant to articles 24-*bis* and 25-*novies* of Decree 231;
 - Special Part 9, dedicated to “Crimes disturbing the freedom of industry or trade and false signs of recognition” and hence concerning the cases pursuant to article 25-*bis* and 25-*bis*1 of Decree 231;
 - Special Part 10, dedicated to environmental crimes, concerning the crimes pursuant to article 25-*undecies* of Decree 231;
 - Special Part 11, dedicated to the crime of “*corruption between private subjects*”, concerning the crime pursuant to article 25-*ter* paragraph 1, letter *s-bis* of Decree 231.

The individual Special parts identify the specific rules of conduct that the Model Recipients, when pertinent, must follow to prevent and counteract the commission of the crimes considered therein.

These Special Parts both dictate the procedural principles that Recipients must observe in order to comply with the Model as well as providing the ODV and the managers of the various company departments which work with them with tools to exercise the control, monitoring and verification activities foreseen in the Model.

5. Basic principles and general behavioural guidelines

DACI's organisation model must be recognised and respected by all Recipients, who must implement its values in their work for the company.

In particular, in carrying out the Sensitive Activities, Recipients must apply the behavioural guidelines, procedures, and instructions as well as respecting the prohibitions contained in the individual Special Parts.

DACI's overall regulatory structure, which the Model is a part of and references, must similarly be complied with in all of its individual parts, starting from the Company's By-laws and governance rules and its internal control and reporting mechanisms.

The DACI regulatory structure also includes the Group's rules, which DACI implements and adds to based on its own local execution.

The Company, to protect its integrity, favors the emergence of illegal behavior or violations of the Model through appropriate reporting channels. DACI prohibits, both in the present Model and in the Code of Ethics, retaliation or discriminatory acts against *whistleblowers*, protecting them in their position as *whistleblowers*, also guaranteeing their confidentiality under the law. DACI uses its disciplinary power if the measures to protect the *whistleblowers* are violated or if the reporting parties resort to *whistleblowing* with intent or gross negligence making reports that prove to be unfounded

6. Recipients of the Model

This Organisation, Management and Control Model is intended for the following subjects (the "Recipients"):

- a. representatives of the Company who hold positions of representation, administration, management or control in the Company or of one of their organisational units having financial and functional autonomy;
- b. persons who exercise, including *de facto*, management and control of the Company;
- c. employees of the Company and persons who, in any case, are subject to management or supervision by the subjects pursuant to letters a) and b);
- d. limited to that specifically indicated in the relative contractual agreements, external collaborators, such as agents, partner installers, franchisees and, in general, all those who operate in the name of, on the account of or in any case in the interest of the Company.

This model is provided to Recipients using methods that ensure they are effectively aware of the contents of the same. They are required to scrupulously follow the rules, attending specific training courses for this purpose.

Following the values and rules of the model is required to properly fulfil the requirements of due diligence and loyalty associated with the relationship created with the Company.

7. Circulation of the Model and training activity

The Company, having completed the formal adoption of the Model, organised significant projects to disseminate the contents of all components of the Model to company staff through specific training and awareness programmes on the behavioural guidelines and procedures instituted.

In fact, DACI promotes knowledge of the Model, Code of Ethics and all the procedures that the Model integrates and implements. All of its representatives and employees are required to understand this regulatory system, to observe it and to contribute to its implementation.

With its dissemination and training initiatives, DACI reinforces the idea that respect for the Model is a requirement for every component of the company, without distinction.

Every employee, every top manager, and every subject that acts on the account of DACI must follow its regulatory and ethics system.

No activity, regardless of how advantageous for the Company, can be carried out if contrary to the law and/or this Model 231.

DACI believes that only by internalising this system of shared values can an even more healthy and positive working environment be created, that naturally drives reciprocal respect and a feeling of pride in one's job.

Training initiatives have the goal of creating awareness for all those who operate in the name of and on the account of the Company in sensitive activities, with respect to the possibility, in the case of violations, of becoming personally liable (criminally or administratively) and also creating liability for the company, with consequent application of sanctions.

And not only this - with the dissemination of the Model, the Company also further reinforces the fact that illegal behaviour or actions that are contrary to its ethical standards are not tolerated, even if they appear to be beneficial to it, and are instead subject to a specific disciplinary system.

This system guarantees that the measures adopted by the Company are serious and effective.

Finally, DACI holds that constant monitoring of sensitive activities can allow it to prevent the commission of crimes and also, if necessary, combat them through prompt action.

More specifically, the Company promotes knowledge of the Model and prompt dissemination of updates made to it. Management of training is handled by the Human Resources department, in cooperation with the ODV.

Communication and training initiatives include:

- insertion of the Model on the company server, including in English, accessible to all;
- distribution of the Model to new hires at the time they enter the company;
- periodic self-assessment tests and participation in training courses.

Participation in training initiatives is obligatory and is monitored by the Human Resources department, which also plans them for new hires when they enter the company.

Additionally, the Company promotes knowledge and compliance with the Model through its external collaborators and sales representatives, for example through information made available on its website.

In particular, the Company inserts specific clauses in its contracts with external collaborators which invites them to read and comply with its regulatory and value system as well as envisaging - in the case of non-compliance - possible termination of the relationship.

Finally, through publication of the text of the Model on its website, the Company communicates to the public in an immediate manner its commitment to respecting the aims underlying Legislative Decree 231/2001, while also making the document easily accessible to its commercial partners, both current and potential.

CHAPTER 4

Supervisory Body and the *Whistleblowing*

1. DACI Supervisory Body: structure

As noted above, the key element of an appropriate organisation, management and control model is, based on article 6, paragraph 1 b) of Italian Legislative Decree 231/2001, the existence of a body within the entity with autonomous powers of initiative and expenditure, assigned to supervise the operation and observance of the Model, intended for this purpose to receive the information flows and any reports of offenses or violations of it, also deputy to ensure it is updated.

DACI decided to establish a collegial Supervisory Body. Specifically, the Company's Supervisory Body (also Organismo di Vigilanza hereafter, "**OdV**") consists of three members, one of which is elected as Chairman.

The members of the ODV are selected from among particularly qualified individuals, with legal, economic, accounting, management and control expertise relative to company risks, who have no other operating responsibilities within the Company and, in any case, are free of conflicts of interest with the same, as well as holding the necessary requirements of honour.

All members must be independent and autonomous, and for this reason report directly and exclusively to the Board of Directors. For the same reason, the Board of Directors annually provides the ODV with a budget of an appropriate size.

DACI's collegial ODV combines various and multi-faceted resources, providing third party points of view while still remaining aware of company dynamics, guaranteeing extensive professionalism and independence as a whole.

The selected members guarantee various professional skills and experience (economic, corporate, legal, company risk control and management), attentive to internal controls and experts in audits, knowledgeable about penal and commercial law and attentive to developments in all regulations relative to Legislative Decree 231/2001.

The operating of the DACI ODV is governed in detail by the Regulations approved by the ODV itself.

2. Causes for ineligibility and lapse

The following cannot be appointed as members of the ODV and, if they are, the appointment must necessarily and automatically lapse:

- i. those falling under the conditions envisaged under article 2382 of the Italian Civil Code, that is those disqualified, banned, declared bankrupt or sentenced with a judgement that involves banning, even temporarily, from public offices or the inability to hold management positions;
- ii. those who have been subject to preventive measures issued by the judicial authorities, pursuant to Legislative Decree 159 of 6 September 2011, "*Anti-Mafia Code and preventive measures, as well as new provisions relative to anti-Mafia documentation*";
- iii. those who have been condemned following the issuing of a sentence, even if is not definitive or issued pursuant to articles 444 and subsequent of the Criminal Procedural Code, even with a conditionally suspended sentence, without prejudice to the effects of rehabilitation:
 1. for one of the crimes foreseen in title XI of book V of the Civil Code (Penal provisions relative to companies and consortia) and in Royal Decree 267 of 16 March 1942, as amended (Regulations for bankruptcy, arrangements with creditors and compulsory liquidation);
 2. to serve time in prison, of no less than one year, for one of the crimes foreseen in the regulations which govern banking, financial, real estate and insurance activities, and the regulations on markets, securities and instruments of payment;

3. for an offence against the public administration, or to serve time in prison for no less than one year for a crime against the public trust, against heritage, against public order, against the public economy or for a crime relative to taxes;
 4. to serve time in prison for no less than two years for any non-intentional crime;
 5. in any case and regardless of the degree of the sentence for one or more crimes among those explicitly envisaged in Legislative Decree 231/2001;
- iv. those who have add accessory administrative sanctions applied, as envisaged in article 187-*quater* of the TUF (Consolidated Law on Financial Intermediation) (Legislative Decree 58/1998);
 - v. those who are executive members of the Company's management and administrative bodies;
 - vi. are associated through marriage, family or affinity to shareholders of the Company and/or executive members of the management and administrative bodies;
 - vii. have conflicts of interest, even potential, with the Company, for example, have provided sureties or guarantees in favour of one of the executive directors (or their spouses), or have creditor or debtor relations with these latter, extraneous to the appointment granted.

3. Professionalism

The members of the ODV, as suggested *inter alia* in the Confindustria Guidelines, must possess excellent professional qualifications, appropriate to the tasks they are called to carry out.

As a whole, the body must ensure multi-faceted competence. More specifically, it must have legal knowledge, specifically criminal law. It must also be familiar with organisational and corporate issues of the types that characterise DACI, as well as having accounting and inspection skills.

In the case of a particularly extensive and multi-faceted range of Contemplated Crimes, when necessary the ODV may make use of its spending powers to obtain outside technical information necessary for its action plan.

4. Continuity of work

The DACI ODV carries out its task of supervising the Model *continuously* and promptly asks the Board of Directors to undertake any necessary corrective actions or to update the Model when rendered necessary by organisational changes in the Company or regulatory developments.

The ODV does not have, nor cannot it be granted, even temporarily, powers to act in terms of management, decision-making, organisation or discipline, relative to the execution of the Company's business.

The ODV reviews the map of Sensitive Activities on a regular basis.

It also periodically does inspections relative to the effectiveness of the Model and compliance with it.

The ODV works with other Company departments, preparing a mechanism for the exchange of information with the aim of updating Sensitive Activities when appropriate, monitoring prevention of crime risks and requesting action from the Board of Directors in the cases in which the Model requires amendments or additions.

Thanks to the information that it receives, the ODV in particular monitors any discrepancies with respect to the behavioural guidelines governed by the Model. It also receives notifications in regards to these discrepancies and possible illicit conducts, as better detailed below in paragraph 5.

The effectiveness of the ODV's actions is also guaranteed by its unconditional access to company data and files, as well as to all information regarding sensitive activities, any time that this is necessary for it to carry out its assigned tasks and inspections and checks.

It may request information from all Company employees. It may also ask to view documents.

In the case, it learns of a violation of the Model that it judges to be grounded, it informs the Board of Directors, and may also propose to the Board of Directors that the sanction procedure be activated.

In any case, it periodically reports to the Board of Directors (at least every 6 months) and to the Board of Statutory Auditors on its verifications, or whenever it judges it necessary.

When necessary, the Board of Directors and Board of Statutory Auditors may call the ODV in order to receive information about the functioning of the Model.

The ODV may also communicate with the company that audits DACI's accounts, to request information useful for its supervisory activities in regards to the activities that said company performs.

The ODV also promotes initiatives to disseminate the Model and provide training on it, in cooperation with the Human Resources department.

Finally, it gathers, processes and files relevant information about the Model as obtained through its activities.

5. Information flows and *Whistleblowing*

Pursuant to article 6, paragraph 2 d) the organisation, management and control model must contemplate informational obligations relative to the body assigned to supervise functioning and observance of the models.

As a consequence, this Model includes a detailed and constant system of informational flows going to the ODV.

The flows in question are both periodic (cyclical information coming from certain company departments, for example from Human Resources with respect to planned training activities) and relative to events or whenever the ODV requires immediate notification of something), and are detailed more specifically at the bottom of each Special Part.

In any case, the ODV receives notifications from DACI employees and external collaborators relative to possible critical issues identified and in particular with respect to every violation or suspected violation of the Model, and to any other circumstance inherent to company activities that exposes the Company to a concrete risk of the commission or attempted commission, in the interest or to the advantage of the Company, of one of the crimes envisaged in Legislative Decree 231/2001.

More specifically, the Supervisory Body is the recipient of the reports made by individuals in top positions and those subordinates, as defined above, as well as by other collaborators, through the *whistleblowing* channels established by DACI. In fact, on the basis of the d. lgs. 179 of 29th December 2017 relative to the "protection of perpetrators of reports of crimes or irregularities which they became aware of in the context of a public or private employment relationship" and of the consequent integration of art. 6 d. lgs. 231/2001, DACI intends to encourage and protect those who in good faith can report illicit conduct relevant under the D. Lgs. 231/2001, as well as violations of the present Model.

DACI has always taken care of measures to encourage the emergence of criminal cases and deviations from the rules of behavior, which can be registered - with Anglo-Saxon terminology - to the concept of whistleblowing. The prompt reporting of unlawful conduct may in fact allow the Company to

intervene promptly and prevent any irregular situation from being completed or to worse consequences, as well as reinforcing, if necessary, its anti-offenses.

As foreseen by the art. 6 co. 2-bis D. Lgs. 231/2001, the top managers and the subordinates can present, to protect the integrity of DACI itself, detailed reports, that is to say presented in a circumstantial and non-generic manner, about:

- any relevant illicit conduct pursuant to D. Lgs. 231/2001, therefore first of all commissive or omission behaviors that integrate a crime included within the scope of the legislation in question or appear to be prodromal to such behavior, or indicator of them, reports that are *based on factual elements precise and concordant*, therefore based on a framework that results, to the sensitivity of the *whistleblower*, unequivocally specific, compact and coherent;
- violations of the Model, and therefore deviations from the procedures in force or behaviors that are in any case contrary to the ethical principles that govern DACI's activities;

of which they become aware due to the functions performed.

The reports must contain, as far as permitted by the concrete situation and with special attention in case they refer to the commission of offenses, a clear description of the findings, including for example the indication of the author of the alleged infringement or anything else contributes to identifying it, of the relevant place and time circumstances, of any additional subjects that may report on it, or of the documents or other supporting elements. No whistleblowing can be reported for those situations that are not relevant to the aspects described above.

These reports can be presented in different ways.

Given that the subordinates can also contact their superior hierarchical, if they prefer to move in this direction, provided that the direct superior will then promptly send the reports to the SB, the channels provided by DACI both to the subordinates and to the top managers and other collaborators include:

- a) by letter in paper format, specifying "confidential and personal" to the address Daikin Air Conditioning Italy S.p.A. Supervisory Body, Via Ripamonti 85, Milano (MI), 20139;
- b) via email at the Supervisory Body dedicated account organismodivigilanza@daikin.it;
- c) on line channel via Company website in the specific section "*Inform us of non-compliance*" at link https://www.daikin.it/it_it/chi-siamo/la-filosfia-daikin.html, whose IT structure allows the confidentiality of the identity of the reporting party.

Whatever the chosen channel, the identity of the *whistleblower* will be guaranteed in the management of the report, in compliance with the terms and limits of the law so that the received communications are protected and not accessible to third parties of any kind, and that it is more generally guaranteed respect for *privacy* in accordance with the relevant legislation and the guidelines of the relevant Guarantor Authority.

DACI has in fact the objective to ensure that the *whistleblower* has the necessary serenity and confidence that each of his reports, provided it is in good faith and scrupulous, will be treated with extreme seriousness, with the utmost confidentiality, and will not expose the *whistleblower* to any negative consequence.

In this regard, the Company prohibits any form of retaliation, discriminatory or otherwise penalizing action, carried out either directly or indirectly against the *whistleblower* in good faith, and reminds all its personnel that any dismissal, demotion, or other measure of retaliation or discrimination are null by law and can be reported to the National Labor Inspectorate both by the reporting agent and by the trade union organization by the same indicated (pursuant to Art, 6 paragraphs 2-quater and 2-ter of Legislative Decree No. 231/2001).

Pursuant to art. 6 co. 2-bis c) D.Lgs. 231/2001, the Company applies a disciplinary sanction to those who violates the commitment of confidentiality in the management of the report and the consequent precautions taken, and also reserves any appropriate disciplinary and / or legal action against those who carry out retaliatory or discriminatory actions against the whistleblower in consequence of the report.

Should the whistleblower, however, make reports that prove to be unfounded, with willful misconduct or gross negligence, he/she will be subject to disciplinary sanctions.

The Supervisory Body examines the reports received, carrying out, where appropriate, timely investigation, in such a way that guarantee the appropriate confidentiality and in compliance with its own regulations. The Supervisory Body can convene and confer with the reporting agent, with the person to whom the possible violation of the Model is attributed, as well as with any persons able to report useful circumstances on what happened.

The Supervisory Body then informs the Board of Directors of the findings, also proposing possible disciplinary actions, and the Board of Statutory Auditors.

In addition to the foregoing, as part of the Group's policies, to the Supervisory Board receives also the notifications sent to the anti-bribery address, which has been created by the Company in the specific area of the company policy aimed at fighting corruption (antibribery@daikin.it). Even these reports are treated confidentially and do not expose the bona fide whistleblower to any retaliation or discriminatory consequences.

CHAPTER 5

Disciplinary system

1. Functions of the disciplinary system

An indispensable element of a suitable and effective organisation model, based on articles 6, paragraph 2, e) and article 7, paragraph 4, b) of Italian Legislative Decree 231/2001, is the existence and concrete activation of a disciplinary system that punishes violations of the Model.

The DACI Model, in full compliance with the regulatory instructions, therefore includes a specific system of sanctions for infractions of the behavioural guidelines contained or in any case reference in this document, including the Code of Ethics.

In compliance with the best practices found in doctrine, jurisprudence and trade associations, this system is specific, as it refers to violation of the measures indicated in the Model, as required under the letter of the law. It is also autonomous, because it is independent of any determinations made through criminal or civil investigations, and self-sufficient relative to the same, and is inspired by the fundamental principles of being proportional and the right to be heard.

In addition, the system also complies with the provisions of the Workers' Statute, the relevant National Collective Labour Contract (CCNL Commercio), and all the legal and contractual provisions that govern the employment relationship between the interested party and DACI.

The system is also calibrated to be effective, therefore working to guarantee a prompt and effective reaction to violations of the Model, as well as to be proportional, so as to appropriately respond to the degree of seriousness of each violation that may occur.

Illicit conducts, violations of the Model, as well as intentional bypassing of it must be immediately brought to the attention of the ODV, through specific notifications in writing sent by the Recipients of the

Model by mean of the information channels as described in the above paragraph 4.5 Information Flows and *whistleblowing*. The exercising of disciplinary powers remains the responsibility of the employer.

The disciplinary response that DACI may make depends both on the nature of the violation and the degree to which the behavioural guidelines dictated by the Model were ignored, as well as on the type of relationship that connects the Company with the author of the violation.

To that end, the disciplinary system is divided into various sections, dedicated respectively to employees, managers, directors, statutory auditors, members of the ODV and finally external collaborators.

In accordance with the specificities envisaged for each category of recipients in the following sections, DACI applies disciplinary sanctions to anyone who interferes with, or improperly uses, *whistleblowing* channels set up for the reporting of relevant behaviors pursuant to D. Lgs. 231/2001 or of violations of the Model, in particular: a) violating the measures to protect the reporting party; b) carrying out, with intent or gross negligence, reports that prove to be unfounded. The Company may also put in place any appropriate disciplinary and / or legal action against those who carry out retaliatory or discriminatory actions against the whistleblower as a result of his/her report.

2. Sanctions against employees

Employees - in addition to complying with general requirements of loyalty, correctness and executing their employment contract in good faith - must follow DACI's ethical principles and behavioural guidelines, observance of which is an essential part of their contractual obligations, pursuant to and in accordance with articles 2104 and 2105 of the Italian Civil Code.

These principles constitute, therefore, specifications of the obligations of due diligence, loyalty and impartiality established under the law for employees which define, in combination with these obligations, proper fulfilment of their job.

With reference to employees, the ethical principles and behavioural guidelines - which are appropriately referenced in the relative contracts - constitute true obligations, also in compliance with the principle of good faith in execution of contracts.

A violation of DACI's guidelines or principles by an employee, which has or could prejudice the Company's interests, in the opinion of the competent company department and after hearing from the Supervisory Body, constitutes, therefore, breach of the employment requirements and/or an offence subject to sanctions, with all the consequences foreseen under the law, the applicable CCNL and, in any case, the Disciplinary System, and may lead to termination of the contract and a request for compensation of any damages the Company may have suffered.

The sanctions and provisions which may be taken relative to employees are those foreseen in the CCNL Commercio.

Application of these is done by following the procedural route pursuant to article 7 of the Workers' Statute and any applicable special regulations.

The Company's corporate disciplinary system therefore consists of the relevant regulations found in the Italian Civil Code and the regulations envisaged in the CCNL. In particular, the disciplinary system describes behaviours that are sanctioned, based on the importance that each individual case considered has, and the sanctions concretely foreseen for the commission of the actions themselves, based on their degree of seriousness.

Disciplinary offences are significant that derive, *inter alia*, from:

- a lack of respect for the procedures and behavioural guidelines contained in the Model or referred to in it, including the provisions of the Code of Ethics;

- alteration of significant documents or any type of obstacle created relative to the control and supervision mechanisms assigned to the ODV;
- not informing a direct supervisor or the ODV relative to violations of the Model encountered.
- infringement of the measures aimed at protecting *whistleblowers* reporting behavior which is relevant pursuant to Legislative Decree no. lgs. 231/2001 or infractions of the Model;
- notification, through whistleblowing channels, of unfounded reports with intent or gross negligence.

Applying the CCNL, the following sanctions are foreseen for employees (to be applied in the terms pursuant to said CCNL, and any existing union agreements):

- a) verbal warning;
- b) written warning;
- c) fine;
- d) suspension from work without pay;
- e) termination with prior notification;
- f) termination without prior notification.

When employees hold powers allowing them to externally represent the Company, application of a fine and/or suspension and/or termination with prior notification will also involve automatic revocation of said power.

3. Sanctions against managers

The manager relationship is characterised by trust. An essential element of the manager employment relationship is respect for that foreseen in the Model and for the specific Company manager's role, aimed at encouraging respect from company staff, as the manager constitutes an example and a driver for all those who answer to them.

The sanctions which apply to managers are identified and applied in compliance with the legal and contractual provisions envisaged in the CCNL Commercio as well as CCNLs for managers of industrial companies.

Disciplinary offences are significant that derive, *inter alia*, from:

- a lack of respect for the procedures and behavioural guidelines contained in the Model or referred to in it, including the provisions of the Code of Ethics;
- circumventing controls carried out by the ODV or any type of obstacle created relative to their control and supervision mechanisms;
- not monitoring respect for the Model by subordinates and collaborators; not informing the ODV in regards to violations of the Model encountered;
- infringement of the measures aimed at protecting whistleblowers reporting behavior which is relevant pursuant to Legislative Decree no. lgs. 231/2001 or infractions of the Model;
- notification, through whistleblowing channels, of unfounded reports with intent or gross negligence.
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The following sanctions are foreseen for managers (to be applied in the terms pursuant to said CCNL, and any existing union agreements):

- a) verbal warning from the managing director;

- b) written warning sent by the managing director;
- c) temporary suspension mechanisms;
- d) dismissal.

4. Sanctions against directors

DACI rigorously assesses infractions of the Model, including those to the provisions on the whistleblowing, carried out by those who represent the Company at its highest levels, projecting its image to employees, shareholders, customers, suppliers, commercial partners, the authorities and the public in general. DACI is strongly convinced that its values of reliability and transparency must be, above all, believed and respected by those who guide company decisions, so as create an example and a driver for all those that act for the Company, at whatever level.

Directors are also required to update and amend the Model when necessary, and ensure it remains suitable over time.

When violations of the rules contained in the Model or of DACI's principles are committed by one or more members of the Board of Directors, the Supervisory Body must immediately notify the entire Board of Directors and the Board of Statutory Auditors of the Company.

The Board of Directors then does the necessary investigation, assesses the infraction and, after hearing from the Board of Statutory Auditors, takes the most appropriate measures relative to the author of the violation, which may include precautionary revocation of their powers as well as, in more serious cases, convening the Shareholders' Meeting in order to inform this body of the facts determined and to adopt the resolutions held necessary.

The Board of Directors acts with the support of the ODV and resolves with an absolute majority of those present, exclusive of the author of the violation, after hearing from the Board of Statutory Auditors.

Sanctions applicable to directors include revocation of powers or their position and, in the case in which the director has a subordinate employment contract with the Company, dismissal.

5. Sanctions against statutory auditors

In case a member of the statutory auditor violates the rules of the Model, including those to protect whistleblowing, the SB informs the chairman of the Board of Statutory Auditors and the Board of Directors for the appropriate assessment, and for adopting - where the conditions met also in light of the provisions of the Civil Code - the necessary measures, including the proposal to the Shareholders' Meeting of revocation for due cause.

In the event of inactivity of the Board of Directors and the Board of Statutory Auditors, the SB may directly report the Shareholders' Meeting.

6. Sanctions against members of the Supervisory Body

The actions to be taken, in regards to members of the ODV, due to the behaviour in breach of the rules of the Model, company procedures, the Code of Ethics and/or negligent behaviour that gave rise to a lack of control over the implementation, respect for and updating of the Model itself, as well as of the measures to

protect the confidentiality of whistleblowers in the management of the whistleblowing channels, fall under the responsibility of the Board of Directors, after hearing from the Board of Statutory Auditors.

7. Sanctions against External Collaborators

Any behaviour of an external subject (collaborator, agent, franchisee, consultant and in general entities that carry out independent work, as well as suppliers and partners, also in the form of a temporary business association, as well as joint ventures) in contrast with the behavioural guidelines indicated in this Model, including the provisions related to whistleblowing, and such as anyhow to involve a risk of commission of a crime envisaged in Legislative Decree 231/01, may determine, based on that foreseen in the specific contractual clauses found in the letters of appointment or contracts, termination of the contractual relationship and the requirement to compensate any damages suffered by the Company.