



## **PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES OF THE GROUP DELCLIMA S.P.A.**

APPROVED BY THE COMPANY'S BOARD OF DIRECTORS AT THE  
MEETING HELD ON 12 JANUARY 2012

### **DELCIMA S.P.A.**

REGISTERED OFFICE IN TREVISO (TV) – VIA LUDOVICO SEITZ, 47 – SHARE CAPITAL EURO 224,370,000 FULLY  
PAID UP – TAX CODE AND REGISTRATION IN THE COMPANIES REGISTER OF TREVISO NO. 06830580962 –  
ECONOMIC AND ADMINISTRATIVE REGISTRATION (REA) NO. 352567

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## 1. Subject and Definitions

**1.1** This Procedure identifies the transactions with related parties concluded by DeLclima S.p.A. and/or by its subsidiaries, and it regulates the procedure for their realisation in order to ensure substantial and procedural fairness, in compliance with the rules and regulations in force and with the principles set out in the Corporate Governance Code.

**1.2** Within the scope of this Procedure, the terms and expressions listed below (whether singular or plural), where written with a capital letter, shall each have the meaning indicated below:

- **Independent Directors:** directors who satisfy the independence requirements pursuant to Article 3 of the Corporate Governance Code.
- **Unrelated Independent Directors:** directors other than the counterpart of a particular transaction and its Related Parties.
- **Corporate Governance Code:** the Corporate Governance Code adopted by the Corporate Governance Committee of Borsa Italiana S.p.A.
- **Market Equivalent or Standard Terms:** terms similar to those usually charged to Unrelated Parties for transactions of a corresponding nature, extent and risk, or based on regulated rates or at fixed prices or those charged to persons with whom the Issuer is obligated by law to contract at a certain price.
- **Board of Directors or Board:** the administrative body of DeLclima S.p.A.
- **Issuer or Company:** DeLclima S.p.A.
- **Regular Transactions:** transactions carried out in the course of the regular business and related financial activities.
- **Transactions of Greater Importance:** transactions with Related Parties that exceed the thresholds specified by the regulations in force at the time and therefore, at the moment of drafting this Procedure, correspond to "transactions of greater importance" identified according to the criteria contained in Annex 3 to Consob Regulation no. 17221 of 12 March 2010 (included in this Procedure under Annex B).

Where a transaction or several transactions, that are combined for the purposes of article 6, are identified as "important" according to the indices established in the regulations, and this result is manifestly unreasonable in view of special circumstances, the Issuer may ask Consob to indicate alternative arrangements to be followed in determining these indices. To this end, Consob shall be informed of the essential characteristics of the transaction and the special circumstances upon which the request is based prior to the conclusion of negotiations.

- **Transactions of Lesser Importance:** transactions with Related Parties that do not exceed the thresholds specified by the regulations in force at the time and therefore, at the moment of drafting this Procedure, the thresholds identified in Annex 3 to Consob Regulation no. 17221 of 12 March 2010 (included in this Procedure under Annex B).
- **Related Parties and Related Party Transactions:** those parties and transactions defined as such in the applicable regulations in force at the time in which each transaction is decided and, at the moment of drafting this Procedure, the parties and transactions defined as such in Annex 1 to Consob Regulation no. 17221 of 12 March 2010 (included in this Procedure under Annex A).
- **Procedure:** this Procedure which regulates the assessment and implementation of transactions with Related Parties carried out by the Issuer and/or by its Italian or foreign subsidiaries.
- **Related Party Regulation:** Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments and additions.
- **Unrelated Shareholders:** those parties defined as such in the applicable regulations in force at the moment in which each transaction is decided and, at the moment of drafting this Procedure, those parties holding the right to vote at Shareholders' Meetings other than the counterpart in a particular transaction and subjects related to both the counterpart in a particular transaction or to the company itself.
- **Smaller companies:** companies for which, in accordance with the Related Party Regulation, neither their balance sheet assets nor their revenues, as reported in the latest approved consolidated financial statements, exceed €500 million.

Smaller companies shall not qualify as such if any of these requirements are not met for two consecutive years.

- **Consolidated Law:** Legislative Decree No. 58 of 24 February 1998, and subsequent amendments and additions.

## **2. Identification and acquisition of Information from Related Parties**

**2.1** For the purposes of application of this Procedure, the Related Parties are identified by the Company according to the criteria set out in Annex 1 to the Related Party Regulation.

The following are Related Parties:

(a)

- all (executive and non executive) members of the Board of Directors of DeLclima S.p.A.;
- the statutory auditors of the Issuer's Board of Statutory Auditors;
- managers of the Issuer with strategic responsibilities, and more precisely:
  - the Chief Operating Officer;
  - the Manager responsible for the drafting of the company accounts and corporate documents;

(hereinafter - also jointly with other parties - "**Direct Related Parties**");

(a<sub>1</sub>)

- their "close relatives", such as the spouse, unless legally separated, and cohabiting partner, the children and dependents of the party, of the not legally separated spouse or of the cohabiting partner;

(a<sub>2</sub>)

- the "entities" in which the parties referred to above in points (a) and (a<sub>1</sub>) exert sole control, joint control or significant influence or hold, directly or indirectly, a significant shareholding, but not less than 20% of the voting rights;

(hereinafter - also jointly with other parties - "**Indirect Related Parties**");

(b)

- the sole or joint controlling shareholders or persons who hold a shareholding through which they can exert significant influence over the Issuer and the parties who, directly or indirectly, control them;

(hereinafter - also jointly with other parties - "**Direct Related Parties**");

(b<sub>1</sub>)

- where the parties referred to in point (b) are natural persons, their "close relatives", such as their spouse, unless legally separated, and cohabiting partner, the children and dependents of the party, of the not legally separated spouse or of the cohabiting partner;

(b<sub>2</sub>)

- the "entities" in which the parties referred to in point (b<sub>1</sub>) exert sole control, joint control or significant influence or hold, directly or indirectly, a significant shareholding, but not less than 20% of the voting rights;

(b<sub>3</sub>)

- companies under common control with the Issuer;

(b<sub>4</sub>)

- all (executive and non executive) members of the Board of Directors of companies controlling the Issuer;
- the statutory auditors of the Board of Statutory Auditors of companies controlling the Issuer;
- managers with strategic responsibilities of the companies controlling the Issuer;

(b<sub>5</sub>)

- the "close relatives" of the persons referred to in point (b<sub>4</sub>), such as the spouse, unless legally separated, and cohabiting partner, the children and dependents of the subject, of the not legally separated spouse or of the cohabiting partner;

(b<sub>6</sub>)

- the "entities" in which the parties referred to in points (b<sub>4</sub>) and (b<sub>5</sub>) above exert sole control, joint control or significant influence or hold, directly or indirectly, a significant shareholding, but not less than 20% of the voting rights;

(hereinafter - also jointly with other parties - "**Indirect Related Parties**");

(c)

- the companies controlled directly or indirectly by the Issuer, even jointly;

(d)

- associated companies of the Issuer, understood as any entity, even without legal personality, as in the case of a partnership, in which a shareholder exerts significant influence but not control or joint control;

(e)

- joint ventures in which the Issuer is a venturer;

(f)

- any supplementary pension fund, collective or individual, Italian or foreign, established for the employees of the Company, or any other entity associated with it.

**2.2** All Direct Related Parties referred to in Article 2.1 points (a) and (b) are obligated and undertake also with regard to Indirect Related Parties referable to them - by signing this Procedure - to promptly inform the Issuer of each start of negotiations with the Issuer or with its subsidiaries, for the conclusion of a transaction, both with the same Direct Related Party, or with one of the Indirect Related Parties referable to them, as in any other case of any action or deed that can entail the application of the Related Party regulation in force at the time.

**2.3** In any case, also for the purpose of facilitating the proper monitoring and control activity by the corporate internal control system, each of the Direct Related Parties referred to in Article 2.1, points (a) and (b), is obliged to provide the Company with the proper data and information to allow the prompt identification of all the existing Related Parties - both Direct and Indirect - and update each time the information provided previously within a reasonable time.



**2.4** As a mere precaution, and without prejudice to the obligations contained in Articles 2.1 and 2.2, the Issuer also reserves the right to send the Direct Related Parties a periodic report, in which they will be asked to make disclosure concerning any significant transactions already concluded or still being negotiated, and to update - if necessary - the information provided pursuant to Articles 2.2 and 2.3 above.

**2.5** The disclosure is provided during the first implementation of these rules and, subsequently, when there are important modifications to make to the information previously given and, in any case, whenever the Issuer asks for it.

**2.6** The Legal and Corporate Affairs function, with the assistance of the The Administration, Finance and Control Department, shall maintain and update, whenever necessary and in any case at least on 30 June and 31 December of each year, the mapping of DeLclima S.p.A.'s Related Parties, also taking into account the information requested from the Related Parties and received from them in accordance with Article 4, subsection 8 of the Related Party Regulation and with the provisions contained in this procedure.

**2.7** Should the Company not have knowledge of the status of a Related Party of a counterpart and the disclosure requirements are omitted, the counterpart of DeLclima S.p.A. that omitted to make disclosure - as well as the Direct Related Party to which the counterpart is related and has omitted to provide material disclosure - shall be held responsible for any damage - whether financial or not, also resulting from measures implemented by the competent Authority - that may arise for the Issuer from carrying out the transaction in breach of the prescribed procedures.

### **3. Approval, Efficacy and Disclosure of this Procedure**

**3.1** This Procedure has been adopted by the Board of Directors of DeLclima S.p.A. on 12 January 2012 subject to the favourable opinion of just Independent Directors, in compliance with the resolution of the Board of Directors on 10 November 2011.

Any subsequent amendment must be approved by the Board of Directors upon the favourable opinion of a committee of just Independent Directors, or failing that, upon the favourable opinion of the Independent Directors present on the Board or, in their absence, upon the non-binding opinion of an independent expert.

**3.2** Bearing in mind that DeLclima S.p.A. adheres to the principles of the Corporate Governance Code, the notion of "independence" for the purposes of this Procedure, in compliance with the regulations in force, is that adopted by Article 3 of the same Corporate Governance Code or of the provisions applicable at the time according to the recommendations contained therein.

**3.3** The Board of Directors of DeLclima S.p.A. assesses the permanence of the criteria of independence of its members at least once a year and, as a rule, on the occasion of - or prior to - the Board of Directors meeting which approves the draft financial statements.

**3.4** The Issuer's Board of Statutory Auditors oversees the compliance of the procedures adopted with the principles of the legislation - including regulations - in force concerning transactions with Related Parties, and their observance, and informs the Shareholders' Meeting.

**3.5** Without prejudice to the rules in force at the time concerning transparency and disclosure of the transactions with Related Parties, the provisions of this Procedure aimed at regulating the approval procedure for transactions with Related Parties shall be applied starting from the data of approval of the definitive version of procedure by the Board of Directors. The Chief Executive Officer of DeLclima S.p.A. shall forward this Procedure to the directly and indirectly controlled companies pursuant to Article 2359 of the Civil Code so that these companies can examine and observe it to the extent of their competence and authority.

**3.6** This Procedure and subsequent amendments shall be published without delay on the Issuer's website, without prejudice the disclosure obligation, also by referring to the same website, in the Company's annual management report.

**3.7** For anything not provided for by this Procedure, the rules of law and the

regulations in force at the time shall apply.

## **4. Internal Control and Related Party Transactions Committee**

**4.1** The Board of Directors of DeLclima S.p.A. has determined that the Internal Control Committee must be composed of non-executive directors, the majority of whom are Independent Directors, and, since the Issuer is a Smaller Company, has attributed to the same the role and relevant competences that the Related Party Procedure attributes to committees composed, whether entirely or by majority, of Independent Directors, said Committee is also called the "Committee for Internal Control and Related Party Transactions" ("**Internal Control Committee**" for short).

**4.2** The Internal Control Committee is composed of and functions in accordance with, among other things, the principles of the Corporate Governance Code and, therefore:

- the Committee's meetings must be minuted;
- the Committee has the authority to access the information and business functions necessary for the performance of its duties, and to make use of external consultants, within the limits defined by the Board of Directors and, with regard to transactions with Related Parties, within the limits defined by this Procedure;
- persons who are not members of the Committee may participate at the Committee's meetings, upon being invited by the Committee itself and with regard to the items on the agenda;
- the members of the Committee shall appoint their own Chairperson if one has not been designated by the Board of Directors;
- the Committee's resolutions shall be valid if the majority of its members in office are present; resolutions are carried by the absolute majority of those present; the meetings are validly held even when they are held by videoconference or teleconference, provided that all the participants can be identified by the Chairperson and by the other people present, that they are permitted to follow the discussion, participate in real time in the topics discussed, receive and transmit documentation; and in this case the Committee shall be deemed held at the place where the Chairperson is.

## **5. General Procedure for the examination and approval of Transactions with Related Parties**

**5.1** As long as the Issuer qualifies as a Smaller Company the general procedure shall apply to all Transactions with Related Parties, whether they are Transactions of Lesser or Greater Importance, while transactions which come under the cases of exclusion provided by Article 8 below are not subject to the procedural process dictated by this Procedure.

**5.2** The DeLclima S.p.A. department that intends to enter into negotiations aimed at implementing a Related Party Transaction shall give prior notice to the Legal and Corporate Affairs Department by sending a duly signed information statement which must contain at least the following:

- 1) the data identifying the related counterpart and a description of the nature of the relationship;
- 2) the characteristics of the transaction:
  - subject matter;
  - reasons;
  - consideration (if the transaction terms are defined as equivalent to the market or standards supporting elements must be provided);
  - timescale;
  - any other information.

The Chief Executive Officer of DeLclima S.p.A., assisted by the Legal and Corporate Affairs Department and by the Administration, Finance and Control Department shall classify the transaction within two days from receipt of the information statement.

If the transaction is rated a transaction excluded pursuant to Article 8 below, the CEO, in accordance with the powers granted him/her, shall execute the transaction, subject to the disclosure requirement referred to in section 5.3 below.

If it is a Transaction of Lesser or Greater Importance the procedures described below apply.

**5.3** The Legal and Corporate Affairs Department of DeLclima S.p.A. shall:

- call, within 2 days and by sending the relevant documentation, a meeting to be held within 3 days from the date of convocation - of the Internal Control Committee so that it may express a non-binding opinion on DeLclima S.p.A.'s interests in the transaction and on the convenience and substantial fairness of the related terms. Each member of the Internal Control Committee must, before expressing the opinion, evaluate whether there are any connections with the counterparts in the transaction in question. Each member is required to state whether there are any connections with regard to the single transaction that must be approved. In the event that there are not at least two Independent Directors, the Board of Statutory Auditors will be involved for the issuing of the opinion, provided that the Regular Auditors do not have any interests of their own or of third parties in the transaction; if an Auditor has an interest of his/her own or of third parties in the transaction, the opinion will be issued by the unrelated Independent Director, if present. Failing this, the opinion will be issued by an independent expert appointed by the Board of Directors (or equivalent oversight body).

The Internal Control Committee (or the equivalent oversight body) has the right request assistance, at the expense of the Issuer, from one or more independent experts of its choice. The Internal Control Committee (or the equivalent oversight body) shall express its opinion at the same meeting or, if further information is deemed necessary or if the negotiation of the transaction has not yet been concluded, at a subsequent meeting that will take place once the necessary information has been acquired or the negotiation of the transaction has been concluded.

In any Related Party Transactions influenced by the management and coordination activities over the Issuer, the opinion of the Internal Control Committee (or equivalent oversight body) must indicate the reasons and expedience of the transaction, if necessary also in light of the overall outcome of the management and coordination activities or rather the transactions aimed at entirely eliminating the damage resulting from the one single Transaction with Related Parties;

- in the event that the transaction is the responsibility of the Board of Directors, forward the opinion of the Internal Control Committee (or equivalent oversight

body) and the information statement for the transaction, to the members of the Board of Directors and the Board of Statutory Auditors, the Board of Directors must meet within 5 days from the date of sending the documentation to pass resolutions within its jurisdiction. The minutes of the approval resolutions must contain adequate grounds with regard to DeLclima S.p.A.'s interest in concluding the transaction as well as the expedience and substantial fairness of the relevant terms.

- in the event the transaction is the responsibility of an executive body, forward the opinion of the Internal Control Committee (or equivalent oversight body) and the information statement on the transaction to the same;
- verify that, if the competent body decides to still execute the transaction in spite of the Internal Control Committee (or equivalent oversight body) having expressed a negative opinion, without prejudice to all the other obligations of law and, in particular, those contained in Art. 114 of the Consolidated Law, a document containing the information required by Art. 7, paragraph 1, point g) of the Related Party Regulation, including the reasons why the competent body did not agree with the opinion of the Internal Control Committee (or equivalent oversight body), must be made available to the public within 15 days after the end of each quarter at the registered office and in the manner provided for by the regulations in force. The opinion of the Internal Control Committee (or equivalent oversight body) must be made available to the public as an annex to the disclosure or on the DeLclima S.p.A. website within the same deadline;
- promptly notify the proposing department of the decisions taken by the competent body;
- verify that the disclosure referred to in Article 6 of this Procedure is given for the transactions in question.

## **6. Disclosure Transparency**

**6.1** In the event of Transactions of Greater Importance with Related Parties, included those to be carried out by Italian or foreign subsidiaries, the Issuer shall prepare a disclosure drafted and published in compliance with the regulations in force.

**6.2** The Company shall prepare the aforementioned disclosure also if, during the financial year, it concludes with the same Related Party, or with subjects related both to the latter and to the Company, transactions which are similar or carried out in execution of a single plan which, while not quantifiable individually as Transactions of Greater Importance with Related Parties, exceed, where considered cumulatively, the thresholds provided by the regulations in force on the date of the last transaction in question. To this end also the transactions carried out by Italian or foreign subsidiaries are relevant while the transactions excluded pursuant to Article 8 below are not, nor are those provided in the framework resolutions, subject to prior disclosure in accordance with Article 7.4.

**6.3** The disclosure, together with the further relevant documentation, shall be made available to the public within the deadlines and in the manner indicated by the regulations in force at the time.

**6.4** The Company shall make available to the public, annexed to the disclosure or on its own website, any opinions by Independent Directors and/or, if necessary, by the Board of Statutory Auditors, and/or at least the essential elements of any opinions of independent experts, in compliance with the regulations in force.

**6.5** Should the Transaction of Greater Importance also constitute an important extraordinary transaction for which the regulation in force requires the drafting of a disclosure (merger, spin-off, capital increase via contribution in kind, acquisition or assignment), the Company can draft and publish one single disclosure that contains all the information required by the applicable law. In this case, the disclosure is made available to the public, at the registered office and in the manner indicated by the regulations in force at the time, in observance of the shortest of all the terms provided by each applicable rule. If the Company publishes the information referred to in this subsection in separate documents, it can include references to information already published.

**6.6** In application of the legislation in force, the Issuer must provide the following



information in the interim management report and in the annual management report:

- the individual Transactions of Greater Importance concluded in the reporting period;
- the further transactions with Related Parties - as defined pursuant to Art. 2427 of the Civil Code and international accounting principles (IAS 24) - concluded in the reporting period that have significantly influenced the Company's balance sheet or results;
- any modification or development in the transactions with related parties described in the last annual report that may have had a significant effect on the Company's balance sheet or results in the reporting period.

The information on the individual Transaction of Greater Importance can be provided by simply making reference to disclosures already published and reporting on any significant updates.

**6.7** The information required for transactions subject to disclosure obligations under Art. 114, paragraph 1, of the Consolidated Law, must be supplemented by the further information required by Art. 6 of the Related Party Regulation.

**6.8** The CEO of DeLclima S.p.A. shall provide full disclosure on the execution of transactions with related parties, at least on a quarterly basis, to the Board of Directors and the Board of Statutory Auditors.

## **7. Framework Resolutions**

**7.1** In observance of the principles and observing the procedural process referred to in Article 5 above, framework resolutions can be adopted for a series of similar transactions with the same Related Parties or certain Related Parties.

**7.2** Framework resolutions shall be effective for a maximum of one year from their adoption, and shall include all the relevant information appropriate for the case and the expected maximum amount of the transactions to be carried out.

**7.3** The executive bodies shall provide full disclosure, at least on a quarterly basis, to the Board of Directors and the Board of Statutory Auditors on the implementation of the framework resolutions.

**7.4** Whenever the framework resolutions envisage a maximum amount of transactions expected to be performed that exceeds the threshold of Transactions of Greater Importance, the Company shall publish the disclosure pursuant to Article 6.1 and, in this case, the transactions shall not be counted for the purposes of the aggregation pursuant to Article 6.2.

## **8. Exclusions and Exemptions**

**8.1** The provisions contained in this Procedure do not apply to:

- a) transactions involving small amounts, as identified in Article 8.2 below;
- b) shareholders' meeting resolutions relating to fees payable to members of the Board of Directors and Executive Committee pursuant to Art. 2389, subsection 1 of the Civil Code, and to members of the Board of Statutory Auditors, as well as resolutions relating to the remuneration of directors holding particular offices included in the total amount determined in advance by the shareholders' meeting pursuant to Art. 2389, subsection 3 of the Civil Code;
- c) resolutions other than those indicated in point b) above, concerning the remuneration of directors invested with particular offices and other managers with strategic responsibilities, provided that the terms referred to in the Related Party Regulation are observed and without prejudice to the obligations of periodic disclosure provided by Article 6.6 above;
- d) remuneration plans based on financial instruments approved by the Shareholders' Meeting pursuant to 114-*bis* of the Consolidated Finance Law and the relative enactment regulations, without prejudice to the duty of periodic disclosure provided under Article 6.6;
- e) transactions with or between subsidiaries, even jointly, as well as transactions with associated companies provided that the Company's other Related Parties do not have significant interests in the subsidiaries or associated companies counterparts in the transactions, without prejudice to the disclosure obligations referred to in Article 6.6 above.

Those interests deriving from the simple sharing of one or more Directors or other managers with strategic responsibilities between the Issuer and the subsidiary or associated company are not considered significant interests.

Significant interests are presumed to exist when:

- i)* the Related Party – different from a subsidiary or associated company of DeLclima S.p.A. – holds a shareholding equal to or greater than 20% of the share capital of the subsidiary or associated company;
- ii)* the Related Party – different from a subsidiary or associated company of DeLclima S.p.A. – holds in any case the right to receive profits equal to or

greater than 20% in the subsidiary or associated company; if, however, the Related Party holds a shareholding or other financial instruments in the Issuer, the interest will be significant only if the "weight" of the shareholding or the interest in the subsidiary or associated company is proportionally greater than the shareholding in the Issuer;

*iii)* the Related Party has a remuneration significantly linked to the economic results of the individual subsidiary or associated company;

*f)* Regular Transactions that are concluded at market equivalent terms or standard terms, without prejudice to the disclosure obligations referred to in Article 6.6 above. In these cases, for Transactions of Greater Importance, without prejudice to the disclosure obligations pursuant to Art. 114 of the Consolidated Law and Article 6.6 above, the Company shall inform Consob, within the time limits and in the manner indicated by the legislation in force at the time, of the counterpart, subject matter and the amount of the transactions that benefited from exclusion, and shall specify those transactions concluded by making use of such exclusion in the reports referred to in Article 6.6.

**8.2** In order to identify the transactions involving small amounts, the significance criteria set out in Annex 3 to the Related Party Regulation shall be taken into consideration, and the absolute amount thresholds shall apply as identified below.

a) Equivalent-value relevance index: transactions involving small amounts are those whose value is individually less than Euro 250,000.00;

b) Asset relevance index: transactions involving small amounts are those in which the assets of the entity, the subject of the transaction, are individually less than Euro 250,000.00;

c) Liability relevance index: transactions of small amounts are those in which the total of the liabilities of the purchased company or division is individually less than Euro 250,000.00.

During the identification of transactions involving small amounts the indications contained in Annex 3 to the Related Party Regulation shall be observed where compatible. In the event that more than one of the indices listed above is applicable to a transaction, the transaction is one involving a small amount provided that all the applicable indices are less than the thresholds set out above.

## **9. Urgent transactions**

**9.1** In urgent cases, when a Related Party Transaction is not the competence of the Shareholders' Meeting or does not have to be authorised by the same, subject to and within the limits of the specific statutory provisions, it can be concluded departing from Article 5 of this Procedure, provided that all the following conditions are observed:

*a)* if the transaction falls under the responsibility of the CEO, the Chairman of the Board of Directors must be informed of the reasons for the urgency before the transaction is concluded;

*b)* if the transaction falls under the responsibility of the Board of Directors, the Internal Control Committee must be informed of the reasons for the urgency before the board meeting is convened to pass resolutions regarding the related party transaction;

*c)* the transaction must then, without prejudice to its effectiveness, be the subject of a non-binding resolution by the first ordinary Shareholders' Meeting;

*d)* the Board of Directors is obliged to draft a report on the reasons for the urgency to present to the Shareholders' Meeting referred to in point c), and the Board of Statutory Auditors must refer - where appropriate via a special report - its assessment regarding the existence of reasons for the urgency; such reports and assessments must be made available to the public in the manner and within the terms provided by the regulations in force at the time;

*e)* the Company must make the information on the results of the vote available to the public in the manner provided for by the regulations in force no later than the day following the Shareholders' Meeting.

## **10. Transactions coming under the competence of the Shareholders' Meeting**

**10.1** When, either by law or by the Articles of Association, a Transaction of Lesser or Greater Importance with Related Parties comes under the competence of the Shareholders' Meeting or must be authorised by the same, in the preliminary phase and the phase for approving the proposed resolution to be submitted to the Shareholders' Meeting the general procedure provided by Article 5 shall apply where compatible and, therefore, the Internal Control Committee shall express its own non-binding opinion on the proposal that the Board intends to submit to the Meeting.

**10.2** In the event that the proposed resolution concerning a Transaction of Greater Importance to be submitted to the Shareholders' Meeting is approved, though against the opinion of the Independent Directors, the Board may still submit the proposed resolution to the Shareholders' Meeting, but the effectiveness and/or feasibility must be subject to the approval of the majority of the shareholders' meeting required by law and by the Articles of Association as well as the majority of the Unrelated Shareholders voting at the Meeting. This condition shall be applicable provided that the Unrelated Shareholders with voting rights present at the Meeting are equal to at least 10% of the share capital.

**10.3** Subject to and within the limits of the relevant statutory provisions, in the event of urgency connected to a company crisis, Related Party Transactions may be concluded departing from the provisions contained in Articles 10.1 and 10.2 above, provided that the requirements referred to in Art. 11, subsection 5 of the Related Party Regulation or the laws applicable at the time are observed.

## **11. Transactions carried out by subsidiaries**

**11.1** The Chief Executive Officer of DeLclima S.p.A. shall send this Procedure together with the mapping of its Related Parties as of 30 June and 31 December each year and in any case every time it is modified to the CEOs of the companies directly or indirectly controlled by the same.

**11.2** In the event that a subsidiary intends to execute transactions with the Related Parties of DeLclima S.p.A., its CEO must send the Legal and Corporate Affairs department of DeLclima S.p.A. an information statement describing the transaction in question which must contain at least the elements referred to in Article 5.2 of this Procedure.

**11.3** The CEO of DeLclima S.p.A., assisted by Legal and Corporate Affairs, shall evaluate the type of transaction and if it is identified as:

- (i) an **exempt transaction**, the CEO shall inform the CEO of the subsidiary so that the transaction in question may be started;
- (ii) a **transaction of lesser importance**, the CEO shall inform the Chairman of DeLclima S.p.A. with whom the CEO will consider whether to first submit the transaction to the Board of Directors of DeLclima S.p.A., or whether to directly express a non-binding opinion to the CEO of the subsidiary;
- (iii) a **transaction of greater importance**, the CEO shall, via DeLclima S.p.A.'s Legal and Corporate Affairs department, inform the CEO of the subsidiary that the transaction qualifies as such and is therefore subject to the disclosure obligations referred to in Art. 5, subsection 1 of the Related Party Regulation. The CEO of the subsidiary will, with the assistance of the relevant departments, to draft and deliver to the CEO of DeLclima S.p.A. the disclosure document to be submitted to the Board of DeLclima S.p.A. at the same meeting where that the Board will consider the Related Party transaction.

The individuals who conduct the negotiations shall promptly notify the Chairman and CEO of DeLclima S.p.A. of the completion of the same.

The Chairman of DeLclima S.p.A. shall convene the Board of Directors of DeLclima S.p.A. within 3 days to submit, beforehand, the transaction and the disclosure information, sending all the necessary documentation to the Directors and Auditors well in advance. The non-binding opinion of the Issuer's Board of Directors will be transmitted to the CEO of the subsidiary by

the Legal and Corporate Affairs department.

**11.4** In cases of urgency transactions may be concluded even in derogation of this article provided that: *(i)* the Chairman of the Board of Directors of DeLclima S.p.A. is promptly informed of the reasons for the urgency before the transaction is completed; *(ii)* the reasons for the urgency are presented to the Issuer's Board of Directors at the first meeting after the transaction is completed.



## **ANNEXES**

A) ANNEX 1 TO CONSOB REGULATION NO. 17221 OF 12 MARCH 2010

B) ANNEX 3 TO CONSOB REGULATION NO. 17221 OF 12 MARCH 2010

C) IAS 24

## **A) Annex 1 to Consob Regulation no. 17221 of 12 March 2010**

### **DEFINITIONS OF RELATED PARTIES AND RELATED PARTY TRANSACTIONS AND FUNCTIONAL DEFINITIONS THEREOF**

#### **1. DEFINITIONS OF RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES**

For the purposes of Article 3, subsection 1, paragraph a) of this Regulation the following definitions shall apply:

##### *RELATED PARTIES*

An entity is a related party to a company if:

- (a) directly or indirectly related, through subsidiaries, trustees or an intermediary:
  - (i) controls the company, is controlled by, or is under common control;
  - (ii) holds a stake in the company to exert significant influence over the entity;
  - (iii) exercises control over the company jointly with others;
- (b) is an associate of the company;
- (c) is a joint venture in which the company is a participant;
- (d) is one of the key management personnel of the company or its parent;
- (e) is a close relative of a person referred to in paragraphs (a) or (d);
- (f) is an entity in which a person referred to in paragraphs (d) or (e) exercises control, joint control or significant influences or owns, directly or indirectly, a significant portion, but not less than 20% of voting rights;
- (g) is a supplementary pension fund, collective or individual, Italian or foreign, established for the employees of the company, or any other entity associated with it.

##### *TRANSACTIONS WITH RELATED PARTIES*

A related party transaction shall be understood as any transfer of resources, services or obligations between related parties, regardless of whether for valuable consideration.

Be deemed to be included:

- merger transactions, spin-off by incorporation or strictly non-proportional spin-off, if carried out with related parties;
- any decision on the allocation of wages and economic benefits, in whatever form,

for members of the administrative and control bodies and management personnel with strategic responsibilities.

## **2. FUNCTIONAL DEFINITIONS TO THOSE OF "RELATED PARTIES" AND "TRANSACTIONS WITH RELATED PARTIES"**

For the purposes of the definitions above the notions of "control", "joint control", "significant influence", "close family", "management personnel", "subsidiary", "related company" and "joint venture" are the following.

### *CONTROL AND JOINT CONTROL*

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

It is assumed that control exists when a person owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when a person owns half or less of the voting rights exercisable at shareholders' meeting if they have:

- (a) control of more than half of the voting rights by virtue of agreement with other investors;
- (b) the power to govern the financial and operating policies of the entity under a statute or agreement;
- (c) the power to appoint or remove the majority of the members of the board of directors or equivalent body for corporate governance, and control of the entity held by that board or body;
- (d) the power to cast the majority of the voting rights at meetings of the board of directors or equivalent body for corporate governance, and control of the entity held by that board or body.

Joint control is the contractually agreed sharing of control over any economic activity.

### *SIGNIFICANT INFLUENCE*

Significant influence is the power to participate in the determination of financial and operating policies of an entity without having control. Significant influence may be gained through share ownership, statute provisions or agreements.

If a person owns, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed to have significant influence, unless it can be clearly demonstrated otherwise. Conversely, if the person owns, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the investor has significant influence, unless such influence can not be clearly demonstrated. The presence of a person in possession of absolute or relative majority of voting rights does not necessarily preclude another person from having significant influence.

The existence of significant influence is usually evidenced in one or more of the following circumstances:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in decision making, including participation in decisions about the dividend or other distribution of profits;
- (c) the presence of significant transactions between the investor and the investee;
- (d) exchange of managerial personnel;
- (e) the provision of essential technical information.

#### *KEY MANAGEMENT PERSONNEL*

Key management personnel are those persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling activities of the company, including directors (whether executive or otherwise) of the company.

#### *CLOSE RELATIVES*

Close relatives of an individual are those family members who may be expected to influence or be influenced by, that individual in their dealings with the company.

They may include:

- (a) the spouse not legally separated and unmarried;
- (b) the children and dependants of the subject, not legally separated spouse or partner.

#### *SUBSIDIARY COMPANY*

A subsidiary company is an entity, even without legal personality, as in the case of a

partnership, controlled by another entity.

#### *ASSOCIATED COMPANY*

An associated company is an entity, even without legal personality, as in the case of a partnership, in which a shareholder exercises significant influence but not control or joint control.

#### *JOINT VENTURE*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control.

### **3. PRINCIPLES OF INTERPRETATION OF THE DEFINITIONS**

**3.1** In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely its legal form.

**3.2** The interpretation of the definitions above is accomplished by referring to the set of international accounting standards adopted by the procedure laid down in Article 6 of Regulation (EC) No. 1606/2002.

## **B) Annex 3 to Consob Regulation no. 17221 of 12 March 2010**

### **IDENTIFICATION OF TRANSACTIONS OF GREATER IMPORTANCE WITH RELATED PARTIES**

1. Internal procedures set out quantitative criteria for the identification of the "transactions of greater importance" so as to include at least the categories of transactions listed below.

**1.1.** Transactions in which, at least one of the following relevance indexes, applicable depending on the specific operation, is greater than the 5% threshold:

**a) Equivalent-value relevance ratio:** the ratio between the equivalent transaction and the net equity drawn from the latest published balance sheet (consolidated, if so prepared) by the company or, for listed companies, if greater, the capitalization of the acquired firm at the end of the last trading day included in the period covered by the latest accounting periodical published document (or semi-annual financial report or the interim financial report). For banks, is the ratio between the equivalent of the operation and regulatory capital drawn from the latest published balance sheet (consolidated, if so prepared).

Should the economic conditions of the transaction not be determined, the equivalent operation shall be:

- i) for the cash component, the amount paid to or from the contract;
- ii) for the component in financial instruments, the fair value determined at the date of the transaction, in accordance with international accounting standards adopted by Regulation (EC) No. 1606/2002;
- iii) for funding transactions or grant of guarantees, the maximum amount payable.

If the economic conditions of the operation depends, in whole or in part, of magnitudes not yet known, the equivalent operation is the maximum admissible or payable value under the Agreement.

**b) Asset relevance ratio:** the ratio between the total assets of the entity in the transaction and the total assets of the company. Data to be used shall be obtained from the most recently published balance sheet (consolidated, if so prepared) by the company; whenever possible, similar data should be used for determining the total assets of the entity involved in the transaction.

For transactions involving the acquisition and sale of shares in companies that have an impact on the area of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital being available. For transactions of acquisition and divestment of holdings in companies that have no effect on the consolidation perimeter, the value of the numerator is:

- i) in the case of acquisitions, the counter operation plus the liabilities of the company acquired eventually assumed by the purchaser;
- ii) in case of supplies, the consideration of the divested business.

For transactions of acquisition and disposal of other assets (other than the purchase of a stake), the value of the numerator is:

- i) in case of acquisitions, the greater of the consideration and the carrying amount that will be attributed to the asset;
- ii) in case of supplies, the book value of the assets.

**c) Liabilities relevance ratio:** Description of characteristics, rules, terms and conditions of the transaction. Data to be used must be derived from the most recently published balance sheet (consolidated, if so prepared) by the company; whenever possible, similar data should be used for determining the total liabilities of the company or company branch acquired.

**1.2.** Transactions with the parent company listed or subjects that are related to the latter in turn related to companies where at least one indicator of significance in subsection 1.1. higher than the threshold of 2.5%.

**1.3.** Companies evaluate whether to identify thresholds of significance lower than that mentioned in subsections 1.1 and 1.2 for transactions that could affect the issuer's management independence (e.g, disposal of intangible assets such as trademarks or patents).

**1.4.** In the case of overlapping of multiple transactions pursuant to Article 5, subsection 2, companies shall determine in the first place, the relevance of each individual transaction on the basis of the ratio or ratios, as prescribed in subsection 1.1, thereto applicable. To verify whether the thresholds specified in subsections 1.1, 1.2 and 1.3 are exceeded, the results for each indicator are added together.

2. Where a transaction or several transactions that are accumulated under article 5, subsection 2, are identified as "most relevant" according to the indices established in subsection 1 and this result is manifestly unreasonable in view of special circumstances, Consob may indicate, at the request of the company, alternative arrangements to be followed in determining these indices. To this end, the company announced to Consob the essential characteristics of the transaction and the special circumstances upon which the request prior to the conclusion of the negotiations was based.



## **C) IAS 24**

### RELATED PARTY DISCLOSURES

(Text introduced by Commission Regulation (EU) No 632/2010 of 19 July 2010. Article 2 of this Regulation states that "*Each company shall apply IAS 24 and amendment to IFRS 8, as set out in the Annex to this Regulation, at the latest, as from the commencement date of its first financial year starting after 31 December 2010*").

### **OBJECTIVE**

1 The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possible that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

### **SCOPE**

**2 This Standard shall be applied in:**

- (a) identifying related party relationships and transactions;**
- (b) identifying outstanding balances, including commitments, between an entity and its related parties;**
- (c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and**
- (d) determining the disclosures to be made about those items.**

**3 This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, venturer or investor presented in accordance with IAS 27 Consolidated and Separate Financial Statements. This Standard also applies to individual financial statements.**

4 Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intragroup related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.

### **PURPOSE OF RELATED PARTY DISCLOSURES**

5 Related party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, the entity has the ability to affect the financial and operating policies of the investee through the presence of control, joint control or significant influence.

6 A related party relationship could have an effect on the profit or loss and financial position of an entity. Related parties may enter into transactions that unrelated parties would not. For example, an entity that sells goods to its parent at cost might not sell on those terms to another customer. Also, transactions between related parties may not be made at the same amounts as between unrelated parties.

7 The profit or loss and financial position of an entity may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties. For example, a subsidiary may terminate relations with a trading partner on acquisition by the parent of a fellow subsidiary engaged in the same activity as the former trading partner. Alternatively, one party may refrain from acting because of the significant influence of another—for example, a subsidiary may be instructed by its parent not to engage in research and development.

8 For these reasons, knowledge of an entity's transactions, outstanding balances, including commitments, and relationships with related parties may affect assessments of its operation by users of financial statements, including assessments of the risks and opportunities facing the entity.

## **DEFINITIONS**

**9 The following terms are used in this Standard with the meanings specified:**

**A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').**

**(a) A person or a close member of that person's family is related to a reporting entity if that person:**

**(i) has control or joint control over the reporting entity;**

**(ii) has significant influence over the reporting entity; or**

**(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.**

**(b) An entity is related to a reporting entity if any of the following conditions applies:**

**(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);**

**(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);**

**(iii) both entities are joint ventures of the same third party;**

**(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;**

**(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;**

**(vi) the entity is controlled or jointly controlled by a person identified in (a);**

**(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).**

**A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.**

**Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:**

**(a) that person's children and spouse or domestic partner;**

**(b) children of that person's spouse or domestic partners; and**

**(c) dependants of that person or that person's spouse or domestic partner.**

**Compensation includes all employee benefits (as defined in IAS 19 Employee Benefits) including employee benefits to which IFRS 2 Share-based Payment applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:**

**(a) short-term employee benefits, such as wages, salaries and social security**

contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;

(d) termination benefits; and

(e) share-based payment.

**Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.**

**Joint control is the contractually agreed sharing of control over any economic activity.**

**Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.**

**Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.**

**Government refers to government, government agencies and similar bodies whether local, national or international.**

**A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.**

10 In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

11 In the context of this Standard, the following are not related parties:

(a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity;

(b) two venturers simply because they share joint control over a joint venture.

- (c) (i) providers of finance;
- (ii) trade unions;
- (iii) public utilities; and
- (iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process);
- (d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

12 In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

## **DISCLOSURES**

### **All entities**

**13 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.**

14 To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

15 The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in IAS 27, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

16 Paragraph 13 refers to the next most senior parent. This is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.

**17 An entity shall disclose key management personnel compensation in total and for each of the following categories:**

- (a) short-term employee benefits;**
- (b) post-employment benefits;**
- (c) other long-term benefits;**
- (d) termination benefits; and**
- (e) share-based payment.**

**18 If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:**

- (a) the amount of the transactions;**
- (b) the amount of outstanding balances, including commitments, and:
  - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and**
  - (ii) details of any guarantees given or received;****
- (c) provisions for doubtful debts related to the amount of outstanding balances; and**
- (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.**

**19 The disclosures required by paragraph 18 shall be made separately for each of the following categories:**

- (a) the parent;**
- (b) entities with joint control or significant influence over the entity;**
- (c) subsidiaries;**
- (d) associates;**
- (e) joint ventures in which the entity is a venturer;**
- (f) key management personnel of the entity or its parent; and**
- (g) other related parties.**

**20 The classification of amounts payable to, and receivable from, related parties in**

the different categories as required in paragraph 19 is an extension of the disclosure requirement in IAS 1 Presentation of Financial Statements for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.

21 The following are examples of transactions that are disclosed if they are with a related party:

- (a) purchases or sales of goods (finished or unfinished);
- (b) purchases or sales of property and other assets;
- (c) rendering or receiving of services;
- (d) leases;
- (e) transfers of research and development;
- (f) transfers under licence agreements;
- (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- (h) provision of guarantees or collateral;
- (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts<sup>1</sup> (recognised and unrecognised); and
- (j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of IAS 19 (as amended in 2011)).

23 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

**24 Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.**

### **Government-related entities**

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<sup>1</sup> IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* defines executory contracts as contracts under which neither party performed any of its obligations or both parties have partially performed their obligations to an equal extent.

**25 A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:**

- (a) a government that has control, joint control or significant influence over the reporting entity; and**
- (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.**

**26 If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:**

- (a) the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);**
- (b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:**
  - (i) the nature and amount of each individually significant transactions; and**
  - (ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21.**

**27 In using its judgement to determine the level of detail to be disclosed in accordance with the requirements in paragraph 26(b), the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is:**

- (a) significant in terms of size;**
- (b) carried out on non-market terms;**
- (c) outside normal day-to-day business operations, such as the purchase and sale of businesses;**
- (d) disclosed to regulatory or supervisory authorities;**
- (e) reported to senior management;**
- (f) subject to shareholder approval.**

## **EFFECTIVE DATE AND TRANSITION**



28 An entity shall apply this Standard retrospectively for annual periods beginning on or after 1 January 2011. Earlier application is permitted, either of the whole Standard or of the partial exemption in paragraphs 25-27 for government-related entities. If an entity applies either the whole Standard or that partial exemption for a period beginning before 1 January 2011, it shall disclose that fact.

**WITHDRAWAL OF IAS 24 (2003)**

29 This Standard supersedes IAS 24 Related Party Disclosures (as revised in 2003).