



FY 2021

Activity report

Daikin Europe N.V.



We had **an
excellent
year**

Thanks to a great team!

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W

Welcome

Dear Reader,

We are living through important times. As a society, we are confronted with one of the biggest challenges humanity has ever faced. With the effects of climate change being felt all around the world, the urgency to act has never been greater.

As a leading company in our industry, we see it as our duty to take up responsibility and use our impact to be part of the solution. The market is in need of innovation, cooperation and firm action. Our FUSION 25 plan delves into our traditional strengths in R&D, manufacturing and our loyal installer network. But at the same time we are leveraging digitalization to develop new ways of serving customers. It is our aim to create environmental and social value while growing our business.



Masatsugu Minaka,
Chairman of the Board Daikin Europe

With Daikin Europe we are taking on a leading role in the decarbonisation of residential, commercial and industrial cooling, heating and refrigeration systems. We believe we are well-positioned to play this role. The continued growth of our company proves that our strategy is the right one. For the fiscal year 2021 – ending 31 March 2022 – we were proud to report a 25% increase of our turnover, marking the 10th year of growth in a row since 2011.



„Thank you for this great year.“

***Toshitaka Tsubouchi,
President Daikin Europe***

This success did not come overnight. It is the result of many years of hard work and dedication, and a clear vision for a more sustainable future. We would like to thank everyone who has contributed to our success: our partners, our suppliers, our customers and of course our employees, who are – and always have been – fundamental to our company.



„The market is in need of innovation, cooperation and firm action.“

***Wim De Schacht, Vice-President
Service & Solutions and Corporate Affairs***

With this Activity Report, we invite you to discover our achievements of the past year and learn about our plans for a more sustainable future.





M

Mission



Air is essential to our existence. It has always been Daikin's mission to make the air we breathe and live in the best possible. Our innovative products and solutions are designed to improve people's health and well-being and reduce the environmental impact of heating and cooling. By 2050 Daikin aims to be carbon neutral throughout the full value chain and the full life cycle of its products and solutions.



F

Future

FUSION 25

Our roadmap for future growth

Toshitaka Tsubouchi, President Daikin Europe

"With our 5-year strategic plan FUSION 25 Daikin firmly responds to today's market needs and societal challenges. Our products and solutions in heating, cooling, ventilation and refrigeration are essential for modern day life, their applications are unlimited. They provide healthy and comfortable indoor air in all kinds of buildings, make sure food and vaccines are stored and transported safely, they can cool data centers and retail cabinets world-wide.

Our plan looks at 2025 and beyond. With it, we have laid out a roadmap to deliver our solutions for the decarbonisation of society. At Daikin Europe we develop the technologies and solutions that are needed to phase out fossil fuels and move to smart energy systems in cooling, heating and refrigeration. We are making major strategic investments to strengthen our organisation – from expanding our R&D and manufacturing capacity, to the development value added services and solutions. That way, we are laying the groundwork for the future growth of our company and a healthier and more sustainable society."

FUSION 25





Daikin Europe at a glance

KEY FACTS & FIGURES

Active in

127
Countries

Financials

4,3 billion €

Turnover in 2021

Our greatest result ever.

+ 25%

Sales growth

High demand for sustainable solutions.

10 years

of **consecutive growth**

Sales & production

65

Entities

Across Europe, the Middle East and Africa
+Asia, Oceania, Americas for refrigeration business.

12

Production plants

Local production for local markets.

5,800,000

Units per year

For sustainable heating, cooling, ventilation
and refrigeration.

People

12,400

Employees

At your service every day.

64

Nationalities

A diverse and committed workforce.

+ 4,000

New recruits by 2025

Fresh talent is needed to realise our ambitions.



H

Highlights
Fiscal Year
2021



Air Purifiers reduce virus transmission

Health and Well-Being

Extensive tests performed in the laboratories of the Institut Pasteur de Lille confirm the effectiveness of Daikin's air purifiers in reducing the risk of airborne respiratory virus transmission. The units removed more than 99.98% of the human coronavirus HCoV-229E in 2.5 minutes. This virus is of the same family as SARS-CoV-2, the coronavirus causing the COVID-19 pandemic. The units have also been evaluated as 99.93% effective against the H1N1 virus in 2.5 minutes. H1N1 is the virus causing common flu. The results are definitive proof that our air purifiers contribute to healthier living and working environments.

July 2021



Two million AHT propane units sold

Sustainable Cold Chain

Daikin company AHT marks the milestone of having sold two million standalone refrigeration display cases that use R290 (propane). With a Global Warming Potential (GWP) of 3 (ICCP 4), propane is a natural and low GWP alternative to more commonly used refrigerants in refrigeration applications. AHT has been a pioneer in the domain of green refrigerants and is currently the only global refrigeration company that has a full R290 offering in standalone display cases.

September 2021



4,000 new jobs in EMEA

FUSION 25

Daikin Europe Group announces its FUSION 25 investment plan. With a projected turnover of € 5.7 billion by financial year 2025, we have set ambitious growth targets. Our aim is to be a leading company in the transition to a carbon-neutral society. To realize this ambition, we will be investing over 840 million euro in the EMEA region to fuel Research & Development, boost manufacturing capacity, strengthen our sales & service network and support digital innovation. We also aim to recruit 4,000 employees by 2025, which will bring our workforce to over 16,000 people in Europe, Middle-East and Africa (EMEA).

October 2021



Daikin at Solutrans

Sustainable Cold Chain

Daikin Europe presents Exigo, the first Daikin-branded transport refrigeration unit, at the commercial vehicle show Solutrans in Lyon, France. Designed with tomorrow's challenges in mind, the unit combines the latest energy-saving refrigeration technology with our cold chain logistics expertise to help customers future-proof their business. The launch highlights Daikin Europe's strategy to expand its business in transport refrigeration and sustainable cold chains.

November 2021



Virtual Experience Centre

Customer Experience

Daikin Europe launches its Virtual Experience Centre, an online environment where customers can explore the workings and the benefits of our products and solutions. The centre serves as an addition to the physical Customer Experience Centres we are opening in Europe. Available 24 hours a day, anywhere in the world, it lowers the threshold for both home-owners and businesses to learn more about our products and solutions and educate themselves on how they can improve comfort, save energy and reduce emissions.

Find out more about customer centricity on page 20.

December 2021



Chillers join L∞P by Daikin

Circular Economy

Daikin Europe adds a part of their R-134a chiller range to its L∞P program for the recovery and re-use of refrigerants. The program was set up to prevent used refrigerants going to waste and avoids already over 400,000 kgs of virgin refrigerant production each year. The refrigerants are recovered from obsolete or end-of-life installations and re-used in VRV and chiller systems. Daikin Europe is also one of the driving forces behind Retradeables, Europe's first marketplace for used refrigeration gases, which was launched in May 2021.

Find out more about our refrigerant initiatives on page 35.

December 2021



Daikin wins

Innovation

Daikin Europe wins the **Foreign Investment of the Year Trophy**, which is awarded by Flanders Investment and Trade. The trophy is an important recognition of the commitment we have shown towards Flanders and Europe, which was recently highlighted by our 140 million euro investment in the EMEA Development Center in Ghent, Belgium. Our policy has always been to produce as close to the market as possible and build strong relationships with local stakeholders and communities.

Find out more about R&D at Daikin on page 22.

March 2022



EMURA wins

Daikin design

Daikin's EMURA line of residential air-conditioners wins the prestigious iF and Red Dot 2022 Design Awards. EMURA was developed with the demanding European market in mind and combines attractive design with high performance. The wall-mounted indoor unit, available in three colours, was designed to blend in perfectly with any stylish and modern interior. The Bluevolution technology inside provides energy savings, and delivers optimal comfort for every season as it can both cool and heat up indoor spaces.



March 2022



Heat pump production boost

Low-carbon heating

Daikin's production plant in Ostend, Belgium commissions a new state-of-the-art production line for residential air-to-water heat pumps. The investment creates 100 additional jobs and doubles the production capacity for those units. Together with the announcement shortly after to build yet another heat pump line by 2023, total production capacity for air-to-water heat pumps in Ostend will quadruple compared to early 2021. The new lines are one of many investment projects we are undertaking as part of our FUSION 25 plan, and is intended to meet growing demand for sustainable heating solutions in Europe.

March 2022



Exceptional growth

Responding to today's market needs

Daikin Europe announces its best sales results ever for the fiscal year ending 31 March. Despite challenging circumstances, we remain on course to realise the ambitious targets of our FUSION 25 plan. Driven by strong demand for sustainable heating, cooling and refrigeration solutions, we report an exceptional growth in our turnover of 25%, which now amounts to 4.3 billion euro. The results clearly indicate that our strategy is the right one. By focussing on innovative and sustainable solutions, manufactured locally, we are clearly responding to today's market needs.

April 2022





Insights from insiders

Customer solutions

Working closely with our customers

Gülnur Durak,
Section Manager – International Key Account Sales at Daikin Europe

Daikin Europe's International Key Account team provides a total solutions offering for large multinational companies. What do these solutions entail?

Gülnur Durak: "Basically, we assist every customer in finding the perfect solution for their needs – regardless of the sector or the size of the project. We have a strong team of international key account managers, based at our EMEA headquarters in Brussels, Belgium and a large network of local key account managers across the region. They focus on building long-term partnerships with (inter)national customers. Depending on the needs of our customers, we mobilise different departments and different experts within the Daikin organisation and we join forces with our valuable partners in the sector."

"In 2021 we were able to grow our international team of key account managers with 30%. And that is great news, since there are plenty of customers to be served and we certainly plan to keep expanding our business. We focus on five main sectors: retail, hospitality and leisure, large manufacturing and pharmaceutical companies, property development and logistics and distribution. However, we do not work exclusively for these sectors: any multinational company can count on our services."

As a Key Account Manager, you speak to customers on a daily basis. What is the most important thing on their mind today?

Gülnur Durak: "We are seeing a clear change in the mindset of our customers. Heating, cooling, ventilation and refrigeration have become more critical to their business strategy, in many ways. Energy prices are on the rise and building regulations are becoming tougher, which means there is much more is at stake."

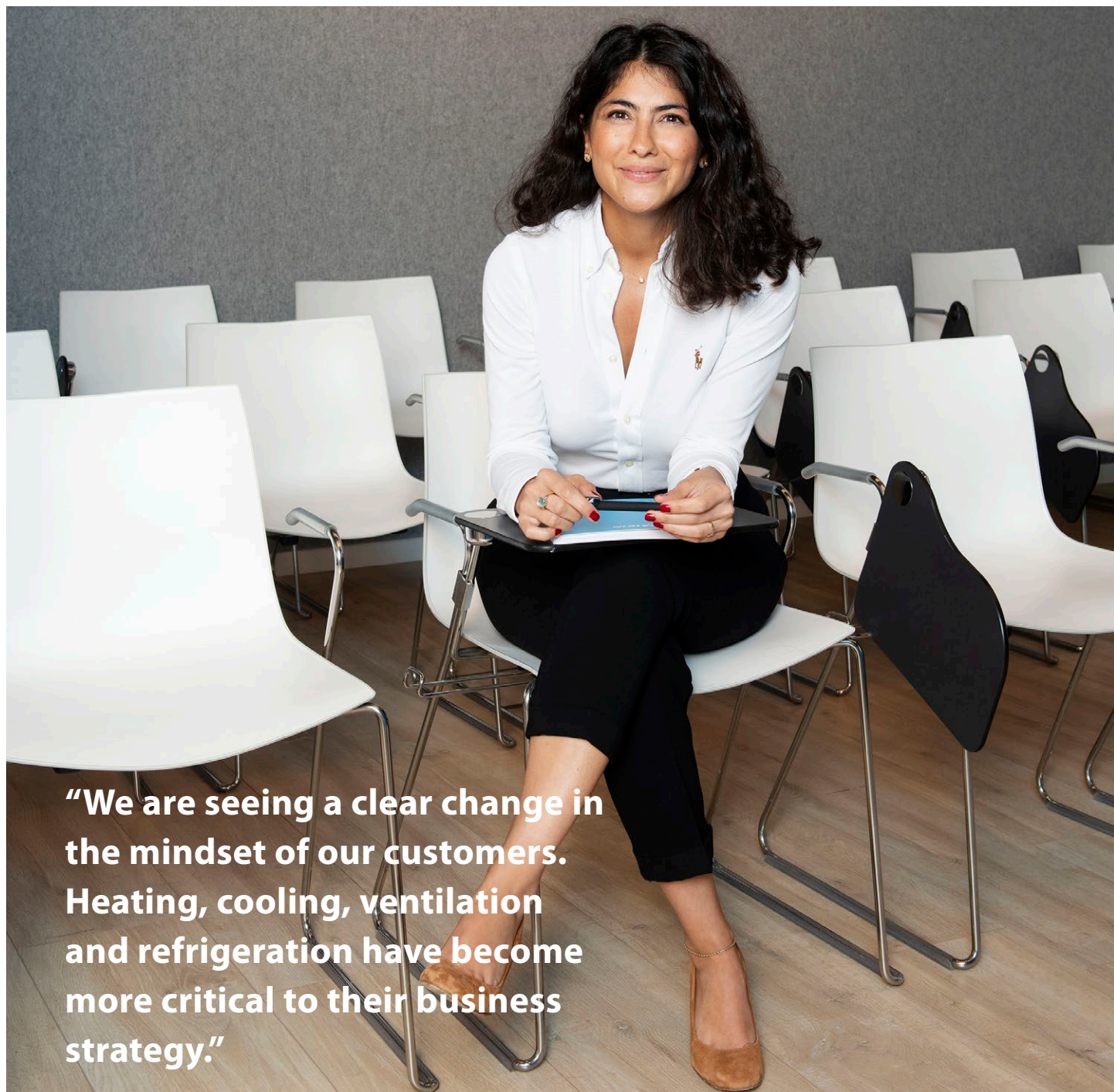
"But for many of our customers – especially those that think of the long term – it's much more than just initial

cost and compliance. Sustainability has become top-of-mind throughout their entire organisation and they are looking to reduce their environmental impact in every domain. They have set ambitious targets for decarbonising their building stock as well as their production processes. They are looking for partners who can help them realise these goals and, perhaps more importantly, they are more than ever willing to invest in sustainable solutions."

How can Daikin help customers realise their strategic ambitions?

Gülnur Durak: "First of all, it is very important that we speak the language of our customers and listen to their needs. Many of the people we speak with on a daily basis do not necessarily know anything about our products or their specifications. But they do know where they want to go with their company. This may vary from sector to sector. Industrial companies, for example, will be looking for improvements in productivity and continuity, whereas retailers may be more focused on a fast expansion of their business. For the food sector it is all about uninterrupted cold chains, whereas large data centres depend on effective cooling for their operations. It is up to us to respond to these different needs and combine the best possible technologies in our solutions."

"In terms of sustainability, customers are curious to know what our new technologies have to offer, how they can save energy with Daikin's efficient solutions and remote monitoring services and how they can eventually reduce greenhouse gas emissions. We also help them comply with environmental legislation and international standards such as BREAAAM. Through our L∞P program, we provide them with a sustainable solution for the recovery and reuse of refrigerants at their end-of-life, and we offer full transparency about the use



“We are seeing a clear change in the mindset of our customers. Heating, cooling, ventilation and refrigeration have become more critical to their business strategy.”

of materials and resources in our products. Our proximity strategy is a great help in this respect – not only does it reduce our logistical footprint, we can also invite our customers for a visit to our factories, where they can see for themselves how we manufacture our products.”

What does this mean for Daikin as an organisation? What strengths do we have and how can we further develop them?

Gülnur Durak: “It means we need to think beyond merely shifting products, and position ourselves as a true solutions provider. We need to help our customers make the right choices throughout the lifecycle, from the initial design of the installation to later maintenance programs and even future refurbishments. Many of our customers are also looking to standardise and build up best practices

they can use across their entire building stock or production sites.”

“Daikin Europe is actually well-positioned to do this. We have a strong, established organisation in place and are active all over Europe, the Middle East and Africa, with a strong local presence in many countries. If a customer has a problem that needs to be solved in Portugal, Morocco or Finland, we always have someone on hand to help. We also have a wide portfolio of products, solutions and technologies. This not only means we can help our customers in every domain, it also makes us a much more credible partner for our customers, because they know we will not be pushing them in one particular direction but look for the most optimal solution for them. It’s the combination of these strengths that makes us a preferred partner for many of our customers, today and tomorrow.”

Adding value throughout the customer journey

In a digital world with multiple environmental challenges, all type of customers want easy access to our solutions and expect support in lowering their environmental footprint.

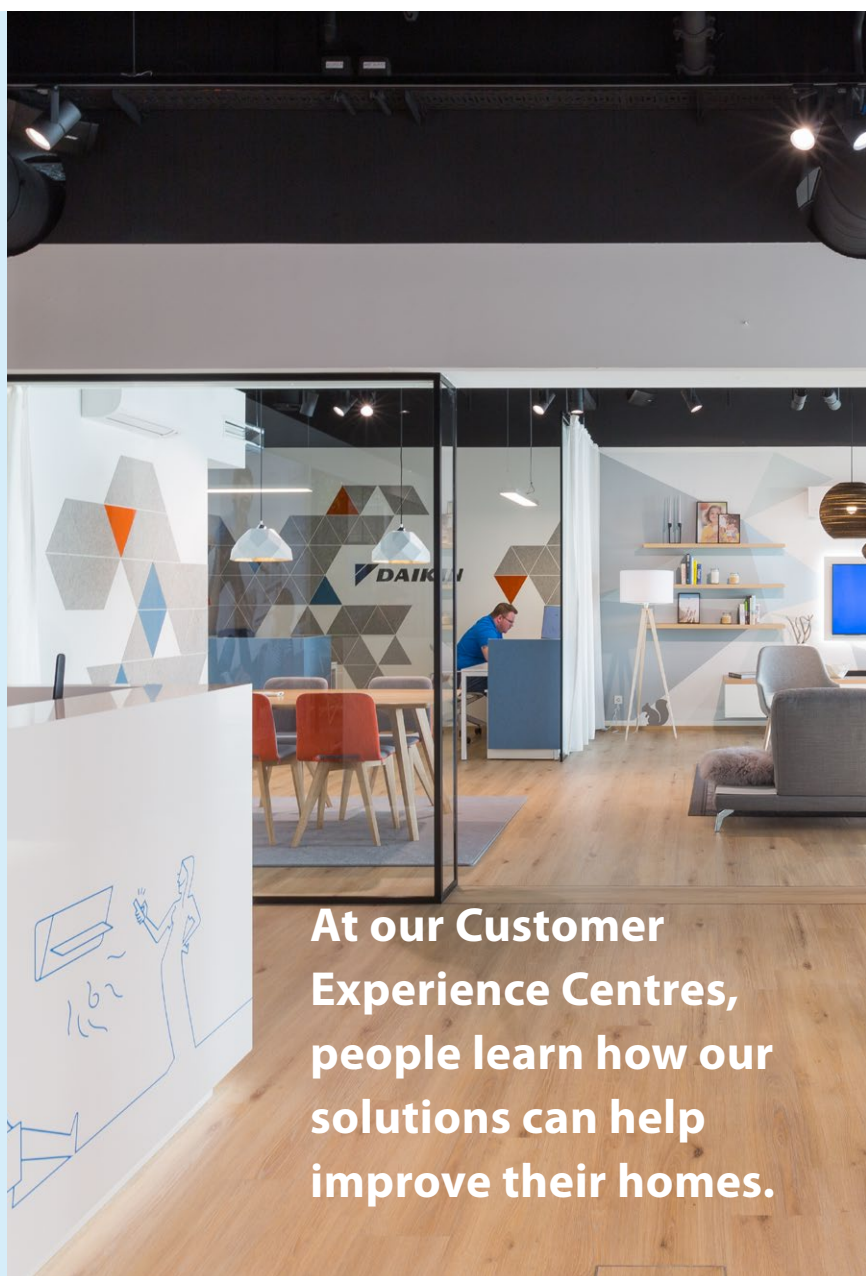
In the new eco-system of digitally connected professionals, installers and end-users, our focus is on delivering convenience for everyone, making it easier to design, buy, install, use and service our systems. To make sure these systems have an ever lower environmental footprint, we are working to deliver on an ambitious environmental vision.

Enhancing the customer experience

An increasing number of consumers is wondering what their next sustainable heating or cooling solution should look like. Switching from fossil fuel boiler systems to low carbon solutions is a legal requirement in many European countries for new built homes. Recently we see people actively considering this for renovation projects as well.

To help home owners understand how Daikin's energy saving and low carbon heat pumps can be used in their project, we are rolling out several Customer Experience Centres in Europe.

The Virtual Experience Centre we launched in 2021 provides 24/7 access to a Daikin showroom online. But nothing beats experiencing the comfort and advise for real. In Greece, Italy and Spain, we have set up Experience Centres at our dealers' showrooms. But we're also rolling out a Daikin network, inspired by our first Flagship store which opened in Vienna in 2018. In 2021, two permanent centres opened in Belgium and the Netherlands.



At our Customer Experience Centres, people learn how our solutions can help improve their homes.

Peace of mind through services

When investing in a heating or cooling system, customers expect full peace of mind. The systems need to run in the most optimal way, energy efficiencies need to be transparent and if something goes wrong quick intervention is key. Ideally, we detect a problem before it even manifests itself.

In recent years these kind of added value services have all become reality through digitalization and equipment connectivity. Today Daikin can provide energy consumption monitoring and predictive maintenance services to most connected installations in residential,

commercial and industrial settings alike. In 2021 demand from residential customers for preventive services has tripled, and our Service and Solutions offering across all segments recorded double digit growth.

To keep innovating in Service and Solutions and to guarantee responsive aftersales interventions, we have reinforced our service organisation with more than 160 people. In France we acquired Groupe BV to strengthen our service capacity. Moving into the next years we intend to keep the strong ties with our existing partners and expand our network with new ones. Close collaboration will be key, from training programs for installers to the joint development of value-added services, digital tools, service packages and even financial solutions.





Insights
from
insiders

Research & Development Innovating for a better future

***Laurent Van Thournout,
Deputy General Manager EMEA Development Centre***

Daikin has been setting industry standards in cooling and heating for almost 100 years. At Daikin Europe specifically, a key R&D milestone was the introduction of Altherma back in 2006. We were the first in the industry to launch a residential air-to-water heat pump which uses heat from the air outside to provide heating and domestic hot water inside homes, in a highly energy-efficient way. It is this heat pump technology that is now more important than ever, as it allows to decarbonise residential heating.

R&D for sustainable heating and cold chain technologies

The heating market in Europe is enormous, as it serves a huge building stock that requires to be heated many months of the year. At the same time, Europe is the world's most ambitious continent in terms of sustainability. With a strong focus on developing and manufacturing sustainable solutions for the local markets, Daikin Europe is now the number one heat pump company in Europe.

In 2021, Daikin Europe has taken the lead in the R&D of heat pump heating innovations for Daikin worldwide. A huge but exciting challenge, given the variety across the markets on all levels. In product development we need to look at total smart energy eco-systems in which our products will operate. We will need to accommodate for great variety in market features such as available energy systems, conformity to local requirements, consumer habits, building quality and so. But whatever those conditions, our developments will need to be low carbon solutions that set Daikin and society on track to net zero.

“With the establishment of our new EMEA Development Centre, we want to create an exciting and inspiring work place where colleagues can truly contribute to carbon-reducing innovations for the whole industry.”



The establishment of our new EMEA Development Centre (EDC) in Ghent, Belgium will anchor and accelerate our innovation efforts for the coming years. “We are investing no less than 140 million euro in the new building and its many facilities. The aim is to bring together all our Belgium based researchers in one central knowledge hub, which will be Daikin’s global centre of expertise for heat pump heating and sustainable cold chain technologies,” says **Laurent Van Thournout**. Satellite R&D centres will complete our EMEA R&D structure.

A state-of-the art innovation hub

The EDC will consist of 14 office floors and a large technical building. “The location in Ghent’s Technology Park was chosen because of its close connection to the University of Ghent and its many technology start-ups and spin-offs. The aim is not just to centralise our R&D activities, but to create a unique innovation and co-creation hub that can generate the technologies and solutions of tomorrow.





An entire floor of the building will be dedicated to accommodating start-ups and other research initiatives. Daikin will also be sponsoring academic projects and researchers will get access to our facilities.”

Crucial in the R&D centre will be the technical building, which will house 23 test chambers. They are essential in Daikin’s product development to simulate operating effectiveness and efficiency under extreme climate conditions. Centrepiece will be the double EMC test chamber, in which devices are tested for electromagnetic interference. Daikin Europe will be one of the

very few companies in the industry in Europe to operate this scale of testing capacity in-house.

Daikin’s EMEA Development Center will be completed by April 2024 and will house over 400 engineers. Early 2022, the investment won the Foreign Investment of the Year Trophy 2022 awarded by the Flemish government agency Flanders Investment & Trade. “It’s a great recognition for our continued commitment to take the lead in the race towards a carbon-neutral society,” concludes **Laurent Van Thournout**.

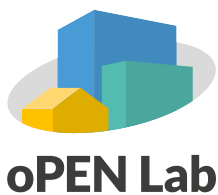
- ❶ Belgium (Ostend)
- ❷ Belgium (Gent)
- ❸ Germany (Gügelingen)
- ❹ Czech Republic (Pilsen)
- ❺ Turkey (Hendek)
- ❻ Italy (Milan)
- ❼ Austria (Rottenmann)
- ❽ UK (Ipswich)
- ❾ Spain (Valencia)
- ❿ Italy (Cecchina)
- ⓫ Italy (Milan)
- ⓫ UK (Cramlington)

12
R&D Centers
 In Europe



Partnerships for innovation

Transforming the residential building sector



“In the next decades, a huge renovation wave is needed to make our homes more sustainable. With our participation in pilot projects like oPEN Lab, we are laying the groundwork for the development of new solutions that will eventually make renovation easier and more affordable for everyone,” says **Laurent Van Thournout**.

“In the next decades, a huge renovation wave is needed to make our homes more sustainable. With our participation in pilot projects like oPEN Lab, we are laying the groundwork for the development of new solutions that will eventually make renovation easier and more affordable for everyone,” says **Laurent Van Thournout**.

The oPEN Lab project in Genk, Belgium, will turn a residential area of 30 existing homes into a Positive Energy Neighbourhood (PEN), meaning more energy will be produced on the site than is consumed. The project collaboration, launched in 2021 is led by VITO/EnergyVille and includes several Belgian research institutes and industry partners, including Daikin.

A complete transformation of the building sector in Europe will be key to achieve a carbon-neutral society by 2050. “It is estimated that buildings account for more than one third of all CO₂ emissions in the EU. Almost 200 million buildings are considered inefficient, with the vast majority of them built in the previous century,” says **Laurent Van Thournout**.

Most of the technology that is needed to realise this transformation, is already available and widely used in the construction of new homes. But renovation still presents the construction industry with considerable challenges. Pilot projects like oPEN Lab in Genk act as a playground for research institutes and the construc-

tion industry to explore new concepts and evaluate their feasibility in a renovation context.

“Daikin will be lending its expertise in heat pump technology to the project. We look forward to jointly develop new solutions that will contribute to more sustainable homes,” says **Laurent Van Thournout**.

The oPEN Lab project has received funding from the European Union’s Horizon 2020 Research and Innovation Framework Programme under Grant agreement No.101037080.





Insights
from
insiders

Manufacturing

Enabling the transition to a greener society

Hiromitsu Iwasaki,
Vice-President Manufacturing Daikin Europe

Per year, over 5 million units made by Daikin Europe find their way into homes, offices, retail spaces and many other applications that need heating, cooling, ventilation and refrigeration. In 2021 Daikin Europe invested over 100 million euro to boost its manufacturing capacity.

"We have been investing heavily in the development of heat pump technology over the years and have successfully introduced sustainable solutions for which demand keeps on growing," says ***Hiromitsu Iwasaki***, "Last year we resolutely delivered the first part of our manufacturing productivity programme, and recruited widely to grow our factories."

At Daikin Europe, growing capacity entails more than adding production lines.

"With each investment project, we always aim to optimize the benefits of having multiple plants in our region. We call this approach our Parallel Production concept. It enables individual factories to produce various models, and gives us the much needed flexibility to respond to specific market demand. And not just market demand, we also expect to see major legislation changes such as the F-gas regulation and new carbon tax structures in the near future. To strengthen our competitive manufacturing

landscape, we will definitely continue to establish flexible production systems."

In 2021, we decided to introduce VRV production to our factory in Turkey.

"The plant in Hendek now also makes VRV systems mainly for the Turkish and Middle-Eastern markets, where demand for these energy-efficient commercial solutions is also growing. The factory has been equipped with the latest cutting-edge technology to optimise efficiency, quality control and sustainability."

Gearing up to de-carbonise Europe's building stock

In Europe, the European Commission's Green Deal has put the continent on an ambitious path to carbon neutrality. Legislation and incentives to realize the Green Deal objectives are expected to increase annual sales of residential heat pumps from 1 million in 2021 to over 4 million by 2030. And given the current acceleration in Europe to move away from fossil heating solutions, that is probably a conservative estimation.

"In 2021 we invested in all our plants involved in heat pump heating. In Ostend, Belgium, we doubled the production capacity for air-to-water heat pumps. We've also decided to add yet another line in the same

“The market for energy efficient, low carbon heating, cooling and refrigeration systems will grow strongly over the next years and decades.”



location, so by mid-2023 production for these units in Ostend will quadruple. In the same line of business, our plant in Germany added a new production line for wall-mounted indoor heat pump units.”

But this is really only the beginning. Our factories are in constant project mode to increase productivity, quality and capacity. In the near future, Daikin Europe will be announcing more investments to boost capacity for heat pumps all over Europe. “We are taking the lead in building the capacity that is needed to realise the energy transition, a project of great importance for our society and for future generations,” concludes **Hiromitsu Iwasaki**.

Sustainable cold chain

The European Green Deal also addresses priorities such as sustainable transport and food systems. The availability of sustainable cold chain solutions will be key to reduce the environmental footprint of our cold chains, while keeping its safety standards of today. Zanotti, AHT, Tewis and Hubbard are recent brands in the portfolio of the Daikin Group. They complete Daikin’s line up of commercial and transport refrigeration equipment, allowing us to deliver off-the-shelf and tailor-made solutions for the total cold chain. Last year Hubbard Products Ltd. expanded its capacity by moving to a 7.500 m² location in the Futura park, with a new factory and a new research and development facility.





Proximity strategy

Daikin Europe's proximity strategy – Local production for local markets since 1973

Daikin Europe has a history of investing in local production capacity. Our first factory opened in Ostend, Belgium in 1973, with the explicit aim to build manufacturing capacity to serve the European market and to develop products that answer the needs of European customers. Being part of a global Japanese group, we adhere to the high manufacturing standards used in our Japanese factories, with a relentless focus on health, safety, ergonomics and quality.

Nearly 50 years have passed since we started manufacturing in Europe, and since then we have been systematically expanding our manufacturing capacity across our territory. Today we deliver around 5,800,000 units per year from 12 manufacturing sites in Europe and Turkey. Around 82% of the equipment the Daikin

Europe Group sells is made in our EMEA factories. Residential air-to-water heat pumps are 100% made in Europe. Producing locally enables us to limit the environmental impact of logistics and make a significant contribution to the local economy and communities.

Our local presence also has many advantages for our customers. "It allows us to respond in a flexible manner to fluctuating market demand and guarantee shorter lead-times, which are very important in today's construction business. During the corona pandemic, when many industries were faced with product shortages due to disruptions in the global supply chain, we were actually able to grow market share and we proved to be a stable and reliable supplier for our customers," says **Hiromitsu Iwasaki**, Vice-President Manufacturing.

12

Production plants

Local production for local markets.

5,800,000

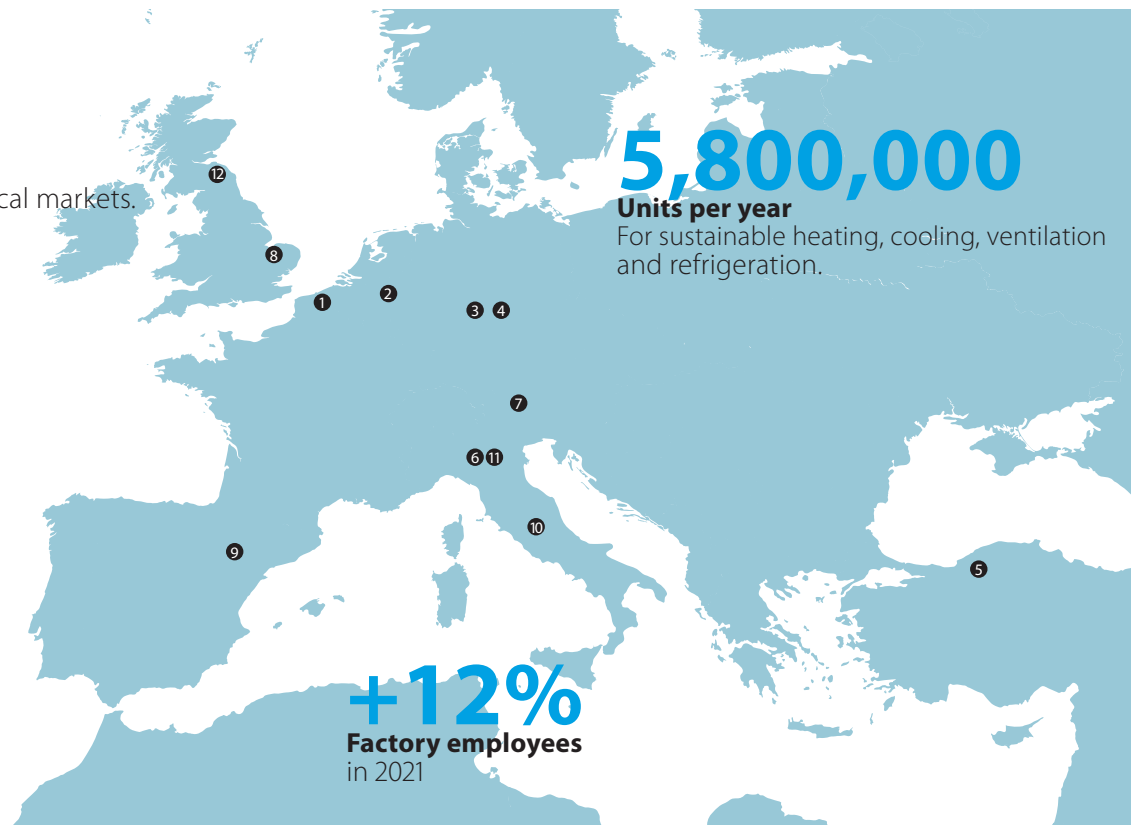
Units per year

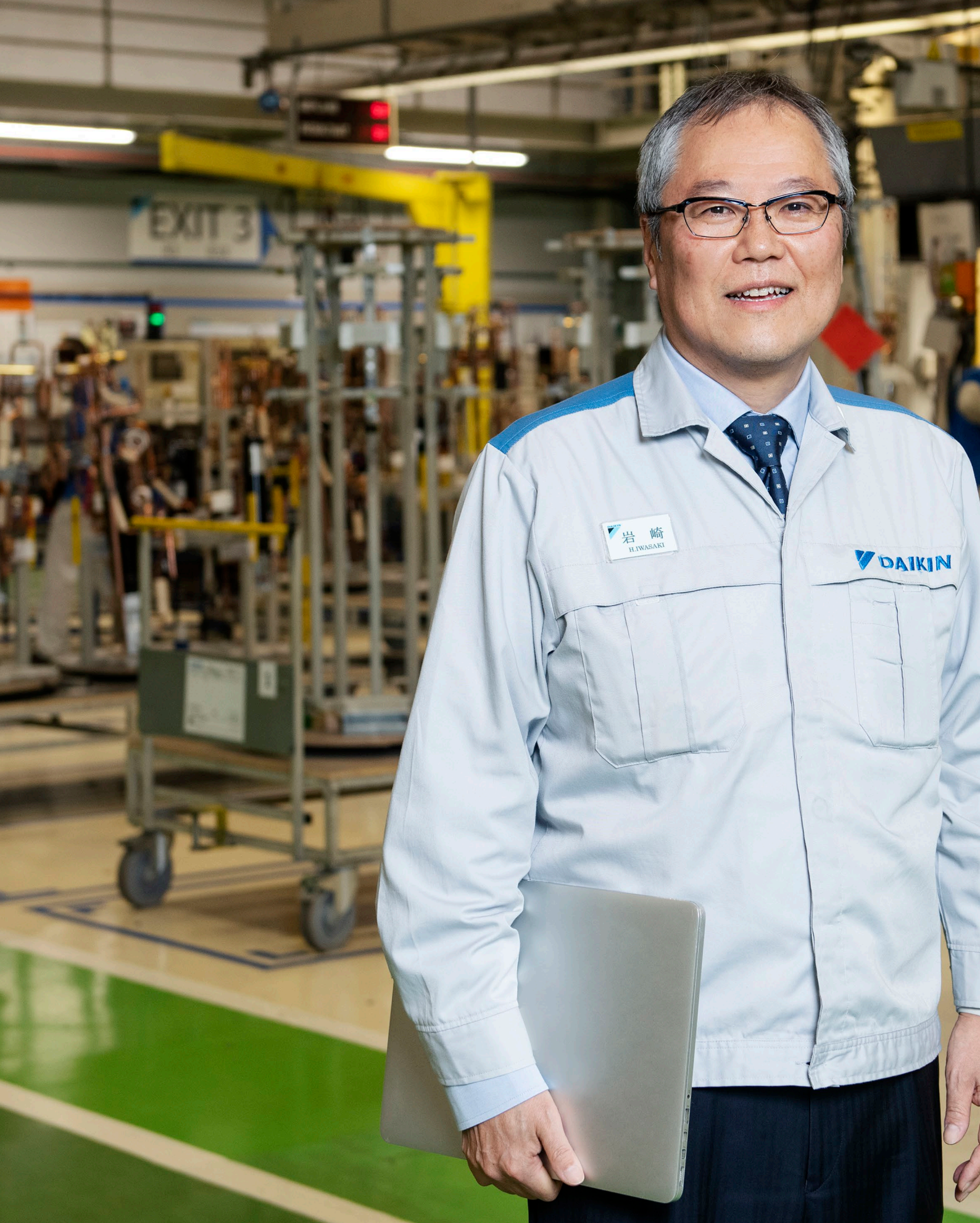
For sustainable heating, cooling, ventilation and refrigeration.

- ① Belgium (Ostend)
- ② Germany (Gügelingen)
- ③ Czech Republic (Pilsen)
- ④ Czech Republic (Brno)
- ⑤ Turkey (Hendek)
- ⑥ Italy (Milan)
- ⑦ Austria (Rottenmann)
- ⑧ UK (Ipswich)
- ⑨ Spain (Valencia)
- ⑩ Italy (Cecchina)
- ⑪ Italy (Milan)
- ⑫ UK (Cramlington)

+12%

Factory employees
in 2021







**“Daikin Europe
is strengthening
and expanding its
manufacturing capacity
to meet that growing
demand.”**



Insights
from
insiders

Environmental sustainability

On our way to net zero

Marin Eneman,

Environmental Sustainability Coordinator at Daikin Europe

One of the many colleagues Daikin Europe welcomed in 2021 is Marin, our new Environmental Sustainability Coordinator. We asked him about the work at hand for Daikin Europe.

Daikin wants to be a carbon-neutral company by 2050. What does this entail?

Marin Eneman: “With our Environmental Vision 2050 we aim to reduce greenhouse gas emissions to net-zero across the full value chain of our business. Important to understand is that we not only include our manufacturing and operations activities in our scope, but also the entire lifecycle of our products once they are running on the customer site until they eventually arrive at their end-of-life.

This is a huge undertaking, because strictly speaking the use of our products is beyond our control. But we need to find a way to make this happen for future generations. It is also where our biggest impact lies. Just to give an idea: globally the production and distribution of Daikin products account for about 2% of our total CO₂ emissions, 90% is generated during the use phase and another 9% of results from the end-of-life disposal of units.

Though 2050 seems a long way off, much work is to be

done in the very near future. We are growing fast and at the same time we need to cut our emissions. Our first two major targets to realise are a 30% reduction in CO₂ emissions by 2025, and 50% reduction by 2030. These reductions are compared to the business as usual scenario from reference year 2019.”

Daikin Europe is a large company, present in over 120 countries. How do you go about to measure your environmental impact?

Marin Eneman: “It is indeed quite a challenge to get a clear insight into the impact of a company of our size. At the same time we know reliability of our data is crucial. The credibility of our accomplishments depends on them, so it is important to have correct and transparent information.

As the environmental vision on carbon-neutrality is a global Daikin Group vision, we need to provide accurate input to our mother company, who reports according to the TCFD framework. The data are audited on global level by a third party, Bureau Veritas.

A lot of that reporting is currently done through manual collection, but with support of corporate planning a more automated reporting tool is under construction. Key Performance Indicators were established in every

domain during the FUSION 25 process and we are now following up in detail on the progress and possible countermeasures.

Which measures is Daikin Europe taking to reduce its environmental impact as a company?

With a long manufacturing tradition, historically most structured schemes for environmental sustainability are already implemented in our factories and supply chain. We have green procurement guidelines which demand for example that suppliers hold an ISO14001 certificate. Throughout our factories you will find initiatives like solar panels and LED lighting to reduce energy consumption. Our Ostend factory is connected to a district heat recovery network. All such initiatives are embedded in Daikin's in-house Green Heart Factory programme, which

is meant for our factories to improve their environmental and social performance.

But you will find that also our affiliated sales entities are launching sustainability. It is definitely a topic that colleagues across the group are passionate about.

Tackling emissions from the product lifecycle will be key to achieve our 2050 vision. Which steps is Daikin taking in this domain?

"It's impossible to take all factors into account of the societal context between today and 2050. Still, as things stand today, our main focus is to increase the ratio of energy-efficient, low-carbon and lower refrigerant-impact products in our sales targets."



"Our aim is to become a carbon-neutral company by 2050, reducing greenhouse gas emissions to net zero in every aspect of our business – not just in our own operations, but throughout the entire lifecycle of our products."



One KPI for example is to increase sales of inverter products in the chillers to 64% in Europe, and 45% in Middle East & Africa. In other product categories the ratio for inverter units is already close to 100%."

"Increasing sales of heat pumps is another crucial element in our strategy. Not only do they have a higher energy-efficiency than most other heating solutions, in most cases they replace gas boilers or other installations that work on fossil fuels. With

every heat pump we install, we are contributing to decarbonisation."

"We are also already very active in developing solutions for the end-of-life phase of our products, especially on the responsible handling of refrigerants. This not only avoids the gases going to waste – or worse, ending up in the environment – it also reduces the need for producing virgin refrigerants."



Reducing emissions from the end-of-life phase of products

GWP (Global Warming Potential) is a key consideration to determine the environmental impact of refrigerants, but so is the way we handle them, from conception to end-of-life.

Daikin's refrigerant policy takes into account the impact of a refrigerant throughout the entire product lifecycle. In the design phase of our products we select refrigerants by balancing four criteria: refrigerant safety, generated energy efficiency, environmental impact and cost-effectiveness. Under this policy, Daikin applies a diversity of refrigerant types tailored for each specific application. We also design for minimal refrigerant charges and maximal prevention of leakage risks.

Ensuring recovery and re-using refrigerants where possible are the way forward to reduce emissions from the refrigerants installed in equipment in the field. With Daikin we want to mobilise and co-operate with all stakeholders in the industry to achieve sustainable end-of-life approaches for dealing with refrigerants.

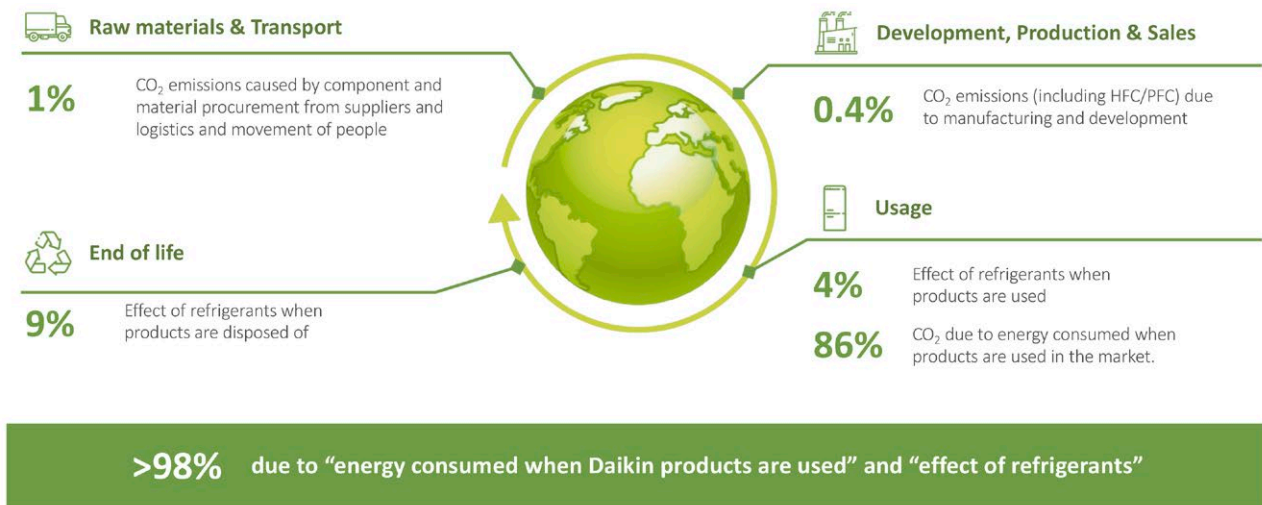
Retradeables – creating a vibrant market for recovered gases

Daikin Central Europe is an active founding member of the consortium behind Retradeables, Europe's first marketplace for used refrigerant recovered from HVAC-R equipment. The platform was officially launched in May 2021 and offers an online platform that enables trade of recovered and recycled refrigerants between companies. By creating a trusted and convenient marketplace at a European level, Retradeables stimulates the reuse of existing refrigerant stocks, which are no longer seen as a burden, but as a valuable asset.



Retradeables was created from the Life3R project that has received funding from the LIFE program of the European Union under grant agreement LIFE19 CCM/AT 001226 – LIFE3R. Other members of the consortium include the National Technical University of Athens and mat4nrg, the Society for Materials and Energy Applications.

„We need to act in every aspect of our business operation“

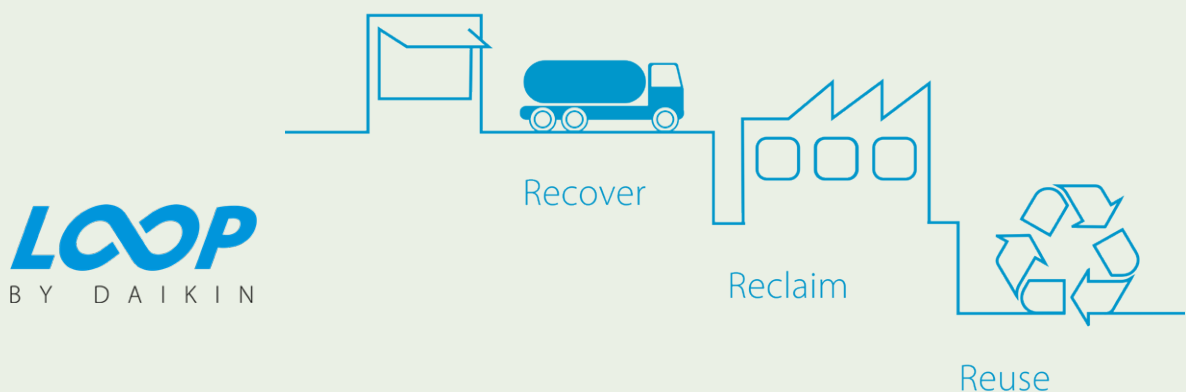


L∞P by Daikin – creating a circular economy of refrigerants

Recover Recycle, Reclaim, Reuse are the core principle of L∞P by Daikin, which aims to facilitate a circular model for refrigerants. Refrigerants are recovered during servicing or from end-of-life installations by our installer network and then sent for recycling or reclamation.

Reclaimed refrigerant, because it has the same quality as virgin refrigerant, can be used to produce new equipment. More than 20.000 VRV units of our special L∞P by Daikin product series have already been sold. These are produced with reclaimed refrigerant according to our circular economy principle.

The programme was first designed for the recovery of R-410A, but in 2021 we added the chiller refrigerant R-134a to our L∞P program. In 2021, we used 400.000 kg of reclaimed refrigerant in our factories in Belgium and Italy.



An aerial photograph showing a large group of people, mostly wearing blue and green shirts, scattered across a vast, brown, textured landscape. They appear to be engaged in a reforestation or tree-planting activity. The ground is uneven and has a rough, cracked texture. The people are small in the distance, emphasizing the scale of the project.

Daikin For Life in Central Europe

At Daikin Central Europe all activities with the background of giving something back to nature and society fall under the Daikin for life initiative. Many actions were undertaken by the local teams in 2021, and small initiatives can get funding from Daikin to make a difference in the local communities.

Daikin Hungary supported an initiative to raise awareness on how households can reduce their carbon footprints, Daikin Croatia and Romania engaged in reforestation projects, Daikin Bulgaria donated air purifiers to charity organizations and the list goes on For those who want to read more, we recommend to visit the website of Daikin Central Europe.

Daikin for life

Local initiatives

Meet Ryan, founder of the #GreenTeam at Daikin UK

"I have always been very passionate about sustainability and what I can do as an individual in the fight against the climate crisis," says **Ryan Philp**, National New Home Specialist at Daikin UK. "Working at Daikin gives me plenty of opportunities to do my share. Through my work, I've been able to support MEP consultants with energy efficiency and circular economy for commercial buildings- and advising UK national housebuilders on the decarbonisation of homes. Daikin's innovative solutions have great potential to help transform the building sector, which still has a large impact in terms of greenhouse gas emissions- operational as well as whole life emissions."

"But at the same time, there's also much we can do in our own lives to contribute. So I decided to set up the #GreenTeam, so we could learn more about the environmental and social challenges we are facing and share ideas on how we can make positive changes, both inside and outside of the workplace. Since 2021 about 60 members of our staff partake in regular lunch & learn sessions with guest speakers on a wide range of to-

pics, such as the benefits of our heat pump technology and sustainable construction methods, understanding impacts of the fashion industry, the power of our voice and vote, as well as recycling waste and growing your own vegetables."

"In the meantime, our initiative has now caught the attention of some of our UK management, who were very enthusiastic and wanted to know how they could contribute. We set up a Climate Committee in which we discuss how we can translate some of these ideas into our short and long-term ESG business strategy. It's been really great to see how we can take things to a higher level and create real change at our company."







Insights from insiders

People – At the heart of our business

Hilde Goossens, General Manager HR & General Affairs EMEA

Daikin is widely known for its long-term commitment to people and its human-centered approach to management. How does this work in practice?

Hilde Goossens: “People-centered-management is one of the cornerstones of our company. We have been successful thanks to the strength and talent of our people. When I started working here 25 years ago, Daikin Europe employed around 650 people in three different countries. Now we are more than 12,000 and we continue to grow.”

“We believe in the unlimited potential of our people. Long-term commitment is all about creating an environment of trust with plenty of opportunities to learn and grow. We want our organisation to be a second home, an environment in which people feel they are respected and dare to take on challenges. It is only by stretching yourself and taking up new challenges that you can grow. The right environment and the support and coaching of your manager is key in this respect.”

“Working at Daikin is a long-term commitment from both sides. We invest a lot of time in the initial selection process and applicants talk to a lot of people to make sure there is a match with the company culture. We pride ourselves in providing space to develop and experiment. Trial and error are natural steps in a growth path. If we want people to take initiative and learn, failure is part of their learning process. Sooner or later, everyone encounters difficult periods in their career – we want to be there for our people at these moments as well.”

Corona has had a profound effect on our lives the past two years. What impact did the

pandemic have on the Daikin organisation and how did you manage?

Hilde Goossens: “COVID-19 and the lockdowns certainly had an impact on our activities. In 2020 when the pandemic hit the world, we had to act quickly. We set up a taskforce to guarantee the continuity of our operations and create a safe working environment for everyone, which limited the number of people getting infected. That was particularly important for everyone working in our factories. The fact that we had to interrupt production in our Ostend factory for 2 working days only showed our pragmatic management approach. This was definitely also important all through 2021 when navigating lockdowns became the standard way of working.”

“We are very proud that both 2020 and 2021 were successful years for Daikin, despite the pandemic. Clearly our people got the job done under difficult circumstances. Though it was a tough period, we took many positive cues from the pandemic. We started up a digital learning platform, so people can follow trainings online. We also learned how effective remote working can be. With COVID behind us, we continue to offer partial remote work for certain functions. We do keep an eye on a good balance between remote work and physical presence. We remain true to our Daikin DNA, in which informal communication, personal contact and connections between people are vital and remain the key of our way of working.”

Daikin Europe is looking to recruit more than 4,000 people in the EMEA region by 2025, in a tight labour market. How are you dealing with that challenge?



Hilde Goossens: "The war for talent is indeed very real. There is not a one-size-fits-all answer, but we are working to be an attractive employer for both current employees and newcomers. Our starting point is to look for people with a growth mind-set and a match with our culture rather than focussing on the 'perfect' candidate that ticks all the boxes for one specific job."

"But I also believe there are many aspects in our company culture to differentiate ourselves as an employer. We are active in 127 countries, and have no less than 64 different nationalities working in Daikin Europe with a myriad of educational backgrounds. Our teams really benefit from this diversity, in every sense of the word. Working together with colleagues with different backgrounds leads to better and more creative solutions than when you are all thinking from the same perspective. For our engineers, we provide an inspiring, high-tech working environment and our partnerships with research institutes and universities are definitely increasing our attractiveness as an employer."

As a multinational company with strong growth ambitions, there are many opportunities for employees to broaden their horizon. But how do you facilitate this job mobility?

"We have an international trainee programme for young graduates, which allows these new

colleagues fresh from university to work for six months in three different departments over a period of a year and a half before they choose a more permanent position. For all employees, we promote job rotations and expat experiences actively throughout our group. From headquarter people go work in our affiliates, but we also look for people from the affiliates to work at headquarter for a couple of years. Over the last years, we could see an increase of 50% of people taking up an international assignment, which clearly indicates many employees are rising up to the challenge."

"Daikin has been successful and is growing thanks to the strength and the talent of its people. We believe in the unlimited potential of our people and create an environment where they can grow and develop."

"Different job experiences are the best way to learn and develop, and to really understand what our company is about. Most of the leaders in our organisation have grown that way. We want to make this mobility accessible to everyone, show it is considered as the new normal and explain that we see it as a positive thing."



12,000
11,000
10,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000

12,400

Employees
At your service every day.

FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25

+4,000

New recruits by 2025
Fresh talent is needed to realise our ambitions.

Insights from insiders

“Daikin’s local presence in the African market has made a huge difference during the COVID-19 pandemic, when our sales continued to rise while our competitors were strongly hindered by travel restrictions. But I believe that more in general, it is also crucial to get the right information, speed up communication, build relationships and increase customer loyalty. The human factor can never be underestimated.”

“In 2021, we have almost doubled the size of our team and established physical sales offices in Casablanca, Morocco and Lagos, Nigeria. In a first phase, we are looking for experienced people who have a good understanding of the market and a broad network, along with a strong entrepreneurial spirit. But as we further build our teams, we are also bringing in younger people that we train at our central office in Dubai. We even plan to partner with universities to develop traineeships.”

“We are seeing many opportunities in the African market. There is still room to grow market share for

the VRV, which is our traditional stronghold, but many new and promising segments are emerging as well, including in our applied business and residential air-conditioning. We are also moving into the refrigeration market, where there is a strong demand for monobloc units to equip small cold rooms, that help farmers and market vendors battle food waste. COVID-19 has also demonstrated the importance of ready-made, medical cold rooms, to enable quick build-up of vaccine storage. It means we can also have a strong social impact with our solutions.”

Robert Kagabo, General Manager Africa Sales for Daikin Middle East & Africa.



**“Never underestimate
the human factor”**





Keep moving forward

