

Name	Daikin Applied Europe S.p.A.	
Location	Ariccia (ROME) Italy	
Site area	76,000m ²	
Established	October 1969	
Employees	489 (as of March 2021)	
Main products	Chillers, compressors	
Certified	ISO 9001	March 199
	ISO 14001	January 2010
	ISO 45001	February 2012
	Green Heart Factory	October 2019 Rank: Bronze

Name	Daikin Applied Europe S.p.A.	
Location	Settala (MILAN), Italy	
Site area	12,450m ²	
Established	March 2008	
Employees	118 (as of March 2021)	
Main products	Air handling units (AHUs)	
Certified	ISO 9001	April 2009
	ISO 14001	January 2010
	ISO 45001	February 2012
	Green Heart Factory	October 2019 Rank: Bronze

Name	Daikin Applied Europe S.p.A.	
Location	Vicenza (VICENZA), Italy	
Site area	1,600m ²	
Established	January 2018	
Employees	15 (as of March 2021)	
Main products	Inverters for Chiller/Cooling Systems	
Certified	ISO 45001	March 2020

Name	Daikin Applied UK Ltd	
Location	Cramlington, United Kingdom	
Site area	5,385m ²	
Established	October 1998	
Employees	107 (as of March 2021)	
Main products	Air handling units (AHUs)	
Certified	ISO 9001	March 2003
	ISO 14001	January 2010
	ISO 27001	September 2021
	ISO 45001	February 2011

Environment: Reducing Environmental Impacts

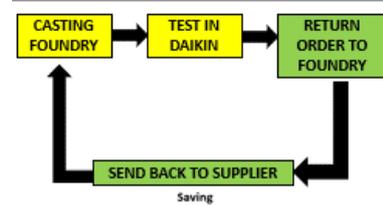
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■ Reducing waste

Every family compressor's iron casting manufactured at DAE must undergo a high pressure test biannually.

After the test, the iron castings cannot be assembled because they are subjected to excessive deformation due to the high pressure load inside. As such, we were forced to scrap them. We now return to supplier (foundry) the iron castings in order to reuse the material.

This has reduced the cost of waste management by approximately 12,000 euro and quantity of waste by 8 tons per year.



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■ Reducing waste

Inverters are sent from the Vicenza Plant to the Ariccia Plant to be assembled inside compressors. Carton boxes used to transport these inverters have been replaced with returnable plastic boxes, saving 2,680 kg of waste per year. Furthermore, plastic boxes are stackable, which allow us to reduce the number of trips through the more efficient use of space available on every truck.



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■ Reducing waste

Metal sheets delivered on wood pallets were previously disposed of as waste. Thanks to an agreement with suppliers, every wood pallet will be now returned and reused.

This has reduced costs by approximately 1,500 euro and waste by 11 tons per year.

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■ Streamlined Energy and Carbon Reporting (SECR)

SECR is a new mandatory energy and carbon reporting scheme for UK companies. Following this, we now report the following matters.

- Annual global emissions for which our company is responsible, e.g. purchased electricity or gas, or emissions from boilers, furnaces and vehicles the company owns
- The underlying global energy use
- Previous year's figures (except in the first year)
- At least one intensity ratio
- Energy efficiency action taken during the financial year
- Methodology used
- Proportion of our total energy consumption and emissions related to the UK



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■ Reducing Factory waste

In FY2018, DAPUK began separating its waste from AAFUK and started to monitor its own weight and waste volumes. The aim is to reduce the amount of waste DAPUK uses and waste bound for landfills.

We are calling on suppliers to reduce or eliminate packaging from their goods. The procurement manager monitors supplier packaging.



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■ Reducing Energy Consumption

An energy audit covering all sites was undertaken in line with EN CEI 16247, determining the processes and buildings with highest energy usage influences where most time is allocated on investigating potential energy savings.

Data on energy consumption and a brief summary of plant and processes are requested before a site visit. This is used to establish energy patterns, trends and apportionment.

During the site visit, the initial data analysis is used to prioritize time spent on physical inspections and questions. The site



inspection was undertaken with on-site staff and environmental staff of the Group. This enabled the surveyor to understand all of the building layouts and processes as well as corporate strategies and long terms aims.

The site audit includes aspects such as building envelop, building services, including heating, cooling and ventilation plus processes; in this case, energy used for moulding and for painting and assembly of end products. The controls of each process were also investigated.

Each part of the inspection is non-intrusive and based on spot checks.

Environment: Protecting Biodiversity

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■ Honors

On November 6, 2020, the evaluation committee awarded the sixth Daikin Award, sponsored by DAE and the Department of Biology and Biotechnology of Charles Darwin Sapienza University, Rome, to young researchers in biodiversity conservation.

Of the seven applicants from six Italian universities, the award went to Dr. Olivia Dondina for her outstanding doctoral thesis and her scientific contributions in the field of biodiversity conservation.

Environment: Environmental Communication

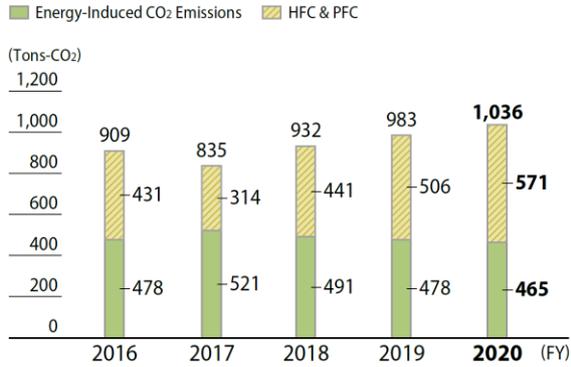
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■ Environmental education & awareness

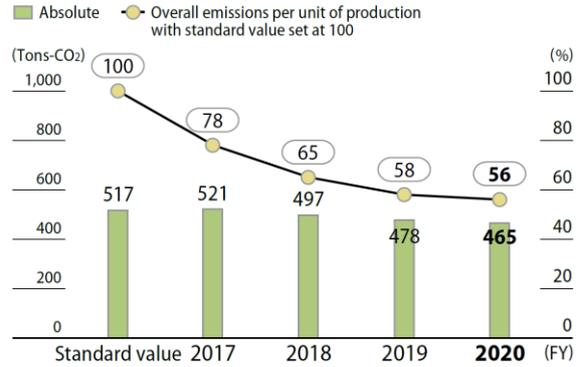
Throughout FY2019, DAPUK conducted tool box talks with employees on topics such as waste reduction, recycling, pollution prevention, solvent management, and proper storage of chemicals. The company also communicated closely with supply chain partners in an effort to reduce packaging.

Environment: Environmental Performance Data

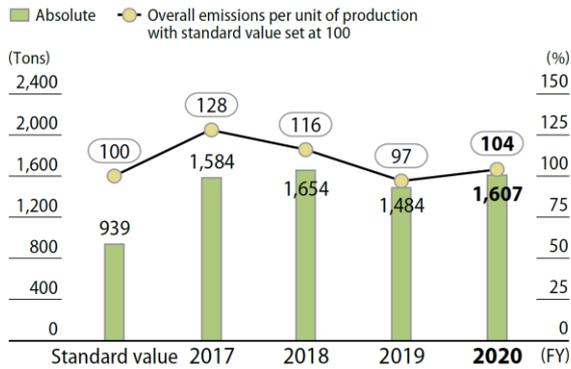
Greenhouse gas emissions



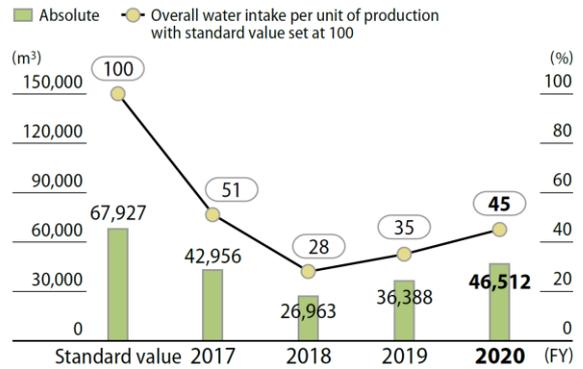
Energy-induced CO₂



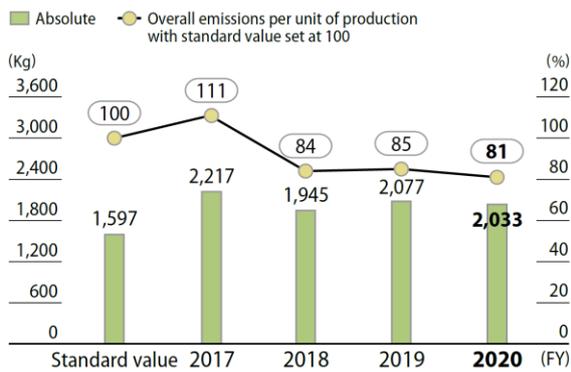
Waste (Including valuable materials)



Water intake



VOC emissions



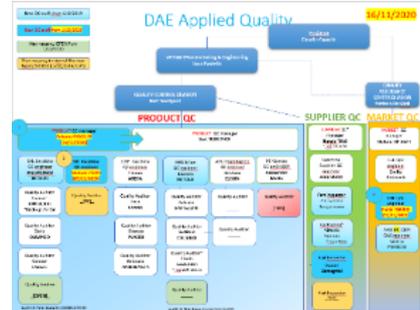
Customer Satisfaction: Improving Product Quality

Quality Organization: QC (Product and Supplier Quality Control)

After QAC implementation, we divided the QC department into two sections: Product QC and Supplier QC, mirroring the DENV Quality Organization. These two teams were established to monitor the quality performance of internal processes and supplier issues, resolving problems through the PDCA cycle directly applied to the plant and suppliers.

The product quality control organization added two persons (on QC manager and one SIC engineer) and plans to add four auditors (on in chiller and one in SIC plant). QAC will add one engineer for the chiller and supplier QC will add one auditor for chiller part inspection.

Also, we plan to add two auditors (one auditor at AHU plant and one at PE plant)



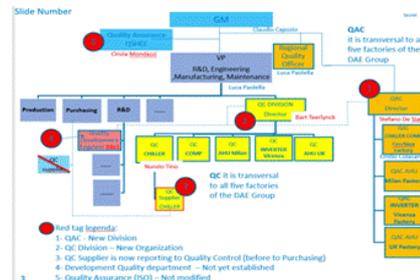
Quality Organization: QAC (Quality Assurance Center)

We reorganized our quality organization mirroring the DENV Quality Organization. This involved establishing Applied QAC (Quality Assurance Center) to monitor the quality perception of applied products and to communicate directly with DENV affiliates and to run the PDCA cycle directly at the DAE plants and DAE development on quality problems (GIB) identified in the field.

In fiscal 2019, we added one QAC engineer.

The quality control organization will integrate the five DAE plants (Chiller, Compressor, AHU Italy, AHU UK and VFD) to use the same quality procedures and methodology across all five locations becoming one applied QC organisation.

We added one QC engineer in fiscal 2019 and one QC engineer in fiscal 2020.



Customer Satisfaction: System to Reflect Customer Needs

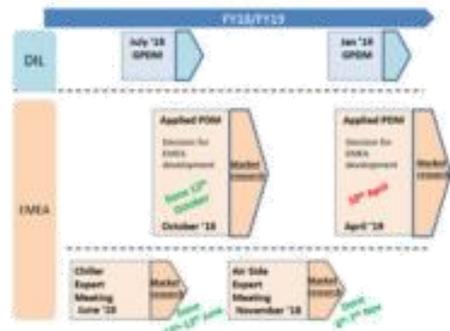
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■ Product development meetings

DAE organizes meetings with affiliates several times during the fiscal year to obtain information on customer requirements and prioritize product development.

Twice a year Applied PDM meetings with managing directors of affiliates are held to promote strategic discussions for defining priorities in product development.

At expert meetings with product specialists from affiliates, which take place twice a year for chillers, once a year for air side products and once a year for controls, detailed technical and commercial discussions are held on new product development. In major markets such as Germany, UK, and Dubai, local PDM meetings are organized annually in order to better investigate country-specific needs.



Human Resources: Training for Employees

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■ Graduate internship program

Our internship program forms an important element of workforce planning. Each year we run several sessions with 20 to 30 new graduates from vocational schools.

All graduates are from the surrounding area and we present the internship program directly in schools where we operate to promote the Daikin brand and culture. Unions at both the local and national level have praised our internship program, issuing a press release on our engagement regarding skills development of young people without any experience.



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■ **Lean thinking training**

Since 2017, DAE has spread 'lean thinking' approaches throughout annual training involving production line managers to share best practices, develop training instructors and uncover new solutions for improvement.

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■ **DAE Academy**

Starting with DAE PDS Academy courses, we have expanded the scope of DAE academy in order to cover more topics including technical courses in-house, share knowledge, and strengthen team work.



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■ **DAE@University**

DAE is strengthening its relationships with universities through contact with professors and participation in job fairs.



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■ **Training for all employees**

DAPUK has training plans in place for all employees in which training needs are identified following annual performance reviews.

Internal training and tool box talks are carried out on a regular basis to ensure that employees are aware of any changes that may take place, such as in production processes.

DAPUK is finalizing training plans for each department and in line with employees' job description and includes competencies for the role as well as to the specific requirements of each employee. We have a new system where we log all training, internal training and tool box talks which provides us with a matrix for departments and employees as well as reports and it also logs expiry dates so that we know when refresher training is needed.

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■ **Management skills training**

DAPUK uses a company called Impellus Training, which provides a structured approach to management development. Under the training programs, managers can obtain qualifications from level two to five in management and leadership skills.

Human Resources: Promoting Diversity

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■ Diversity and Inclusion

DAE implements good practices for diversity and inclusion aimed at recruiting more female candidates for technical roles. Our target is to have at least one female in each technical department.



First production woman employee at Cecchina Plant. One woman already works on the Vicenza shop floor.

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■ Dignity training

DAPUK is committed to abiding by the Equality Act 2010 which provides legal protections to people to stop discrimination in the workplace. We have in place a Dignity at Work Policy and an Equal Opportunity Policy.

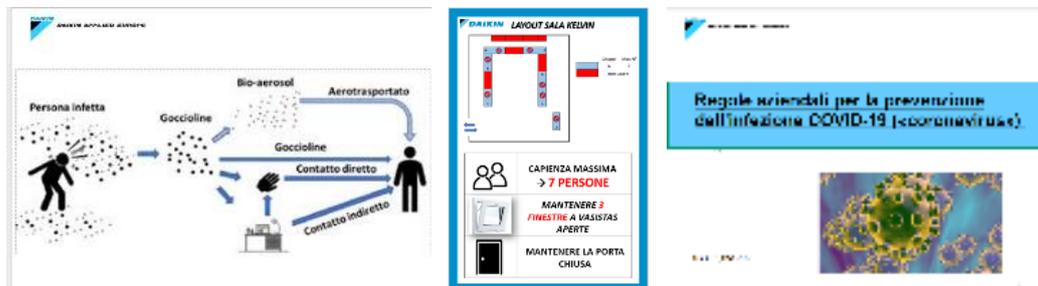
For new employees, this forms part of their induction and we have set up e-learning training for employees. There will be a refresher every two to three years or when required. This will be logged on employee training plan.

Human Resources: Occupational Safety and Health

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■ COVID Emergency

A task force to manage the COVID-19 pandemic has been set up in the workplace through organization of the layout, places to work and common spaces, air flow management, air quality analysis, people training, smart working, and specific action on fragile categories.



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■ Occupational safety and health training

DAE Training was provided based on legal compliance and on a risk assessment program.

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■ **Safety and health training**

DAPUK identifies all risks and hazards through a risk assessment program. Through this, training is identified and carried out where needed. This includes classroom training and online training in the form of toolbox talks and staff briefings.

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■ **Safety and health training**

DAPUK carries out annual health surveillance for all their production staff through our Occupational Health Team in line with our obligation to their health and wellbeing.

Communities: Support for Education

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■ **Apprenticeship Program**

DAPUK administers an apprenticeship program. Currently, we have four apprentices, all in Cramlington. A training provider has been hired to support the education and the apprentices are each assigned a mentor in the workplace. The apprenticeship period varies from two to four years, depending on the sector. They divide their time between on-the-job training and daytime classes at college.

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■ **Work experience scheme**

DAPUK currently offers work experience placement to young school children, when they are around 16 years of age. Local schools run a program where students are placed in the workplace for either one or two weeks to give them experience in a real work environment. This can help students on making a decision on their chosen career path.

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■ **Graduate programs**

DAPUK maintains good relationships with local universities and runs graduate programs in which university students can attend an eight-week session to help with their studies and gain on-the-job experience.

We have also hired three graduates following their opportunity to attend an engineering showcase at Newcastle College University where we had the opportunity to meet students and view their presentations on their work.

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■ **Participation in annual career fairs**

DAPUK attends annual career fairs at local schools, colleges and universities to provide students with an overview of the careers they can pursue in engineering and design once they finish exams. An HR team member attends along with other employees with either a technical or design background so students can ask questions about their jobs. This is one way that DAPUK strives to give back to the community.

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■ **Consultant program**

DAPUK also runs a program with one of its consultants in which consultant trainees spend a week with DAPUK in Cramlington and two weeks in Italy to learn processes and gain knowledge of Daikin's products.

We are also looking to open this program up to university students to give them insight into manufacturing and engineering.

Communities: Other Local Activities

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■ **Christmas packages**

On December 2020, DAE donated 10 Christmas boxes to Saint Agata Parish for the Settala Charuty Program. The boxes were made with some of the content from employee Christmas boxes and donations.



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■ **Running team**

DAE established a running team with 35 employees registered (7% of all employees).

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■ Better Health @ Work Award

DAPUK runs a Better Health @ Work Scheme through its Public Health Trust. This program provides employees with information on matters such as health and fitness, nutrition, and mental health so that they can achieve a good work-life balance. The aim of the award is to demonstrate commitment to employees, assess their health needs, and provide advice, guidance, and support on healthy lifestyle choices.



There are also in-house campaigns to get employees involved, such as lunch-time walks, health-related discussions, health checkups to make employees aware of statistics such as weight, blood pressure, and glucose levels, group activities, a 'stampede', and golf days. We have just been recognized with the Maintaining Excellence Award which is currently the highest level.

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■ Better Health @ Work – Mental Health First Aiders

Due to the current climate, mental health has been at the forefront of keeping our staff safe. We have now trained four staff across the business (two in the office and two on the shop floor) as Mental Health First Aiders.



This two-day course gives participants the skills to be mental health first aiders. Participants foster a deep understanding of what mental health is and what factors can affect wellbeing. The course teaches practical skills to spot the signs of mental illness and gives participants the confidence to step in and support a person who needs assistance.

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■ Better Health @ Work Award – Covid-19 Stay Safe Campaign

During the pandemic, we have created various factsheets to explain the current national guidance and how it applies to all staff. Within these documents, we have also added various topics about staying well during this time. We have covered everything from staying active and not sedentary at a desk or home office, eating well and mental health wellbeing. We have shared this via the company intranet, emails and noticeboards for staff without computer access.

The plant has been adapted to meet Covid-19 safe workplace regulations and all risk assessments have been constantly updated to reflect new measures including personal protective equipment (PPE) requirements and social distancing. Communal areas have been closed or restricted in number to allow safe working. All staff have been issued masks, hand sanitizers and other associated PPE during this time.

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■ **Better Health @ Work – Flu campaign**

Employees of DAPUK have the opportunity through our Occupational Health Nurse to get a flu vaccine every year. This year we had 30 staff vaccinated on site as well as others who paid for the vaccination and claimed the cost back through expenses due to the Occupational Health provider struggling to meet demand for the vaccine due to a nationwide shortage.

External Evaluation: Awards

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■ **Apprentice awards**

Kane Gellatley, our after sales business administration apprentice, achieved several things in FY2020. He was recognized as the Regional Finalist of the Rising Star awards for the North East & Humberside in the recent Make UK Apprentice Awards against a large number of nominees. He was then runner up to four nominees of the National Rising Star award.



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■ **DIL Award for Excellent Products**

The CEO Award is Daikin Industries’ highest and most prestigious honor. DAE received two awards. First, this award has been presented to DENV Group & DAE in recognition of their accomplishments during the COVID-19 pandemic while leveraging the solidarity of all employees.

Second, in the Excellent Product category, we were recognized for development of the R32 HP scroll chillers for air cooling.

