Key Foundations

Daikin Group Conduct Guidelines

Basic Principles and Management Structure

As a global enterprise, the Daikin Group establishes fundamental ethical and compliance principles that every executive and employee must adhere to through the Group Conduct Guidelines (16 key items).

Under these guidelines, as a member of the Daikin Group, AAF develops specific codes of conduct based on local laws, customs, and practices in each country and region where we operate, ensuring full adherence to corporate ethics and compliance.

Each regional headquarters has a compliance officer, directly reporting to the COO, driving initiatives to strengthen internal controls. Regular compliance meetings are held to review progress on risk management, to share information, and to disseminate the Daikin Group Conduct Guidelines. We aim to foster a culture that discourages misconduct and build systems that prevent it from occurring.

Daikin Group Conduct Guidelines

These conduct guidelines set forth the basic premises for all Group companies, as well as each and every one of their executives and employees to observe as a basic framework for compliance in the Daikin Group's global expansion of corporate ethics.
Each company of the global Group shall draft specific criteria based on these guidelines for a code of conduct that corresponds to differences in laws and customs of each country and region and thoroughly maintains legal compliance.

1. Providing Safe, High Quality Products and Services
2. Free Competition and Fair Trading
3. Observing Trade Control Laws
4. Respect and Protection of Intellectual Property Rights
5. Proper Management and Utilization of Information
6. Prohibition of Insider Trading
7. Timely and Appropriate Disclosure of Corporate Information
8. Preservation of the Global Environment
9. Ensuring the Safety of Operations
10. Respect for Human Rights and Diversity and Observance of Labor Laws
11. Protection of Company Assets
12. Proper Handling of Accounting Procedures
13. Practicing Moderation in Entertainment, Gift Exchanges, and Invitations
14. Maintaining a Firm Attitude against Anti-Social Activities
15. Relationship with Society
16. Observing Each Category of Industry Law and Regulation

Note: The above list provides and overview of the headings from our Group Conduct Guidelines. For further information and comprehensive details, please contact your nearest AAF office or refer to Daikin's sustainability report.

Consistency in Compliance

Daikin Group's Self-Assessment System

AAF conducts annual self-assessments using the Daikin Group's system to ensure adherence to the Daikin Group Conduct Guidelines. Identified issues are addressed and reported to Daikin's Corporate Ethics and Risk Management Committee. The results also support audits conducted by Daikin's legal, internal auditing, and finance departments.

Group Collaboration for Enhanced Compliance

AAF participates in regional compliance meetings with the Daikin Group companies to review progress and share information. In fiscal year 2024, AAF attended legal compliance meetings in Asia/Oceania in July 2024, in China in February 2025, and in Europe in March 2025, covering topics such as human rights, personal data protection, and anti-bribery.

Legal and Compliance meeting for the Europe region

Fair Competition and Ethical Business Practices

AAF supports fair business practices in accordance with Item two of the Daikin Group Conduct Guidelines, which emphasizes "Free Competition and Fair Trading".

Education and Awareness Activities

AAF trains all staff in compliance per the Daikin Group Conduct Guidelines, offering case study-based sessions on relevant laws for sales, manufacturing, and procurement. Tiered programs are provided for new hires and new managers. To help employees recognize the importance of compliance through relatable examples, we share quarterly compliance news that highlights relevant compliance topics.

AAF's Legal Compliance Record for 2024

AAF is dedicated to transparency and discloses any major legal violations. In fiscal year 2024, no major violations were reported.

Consultation and Reporting Desk

AAF has established a corporate ethics hotline for consultations and feedback on various ethics-related issues, including bribery, human rights, power harassment, and sexual harassment. The hotline guarantees confidentiality and ensures prompt, appropriate responses. Inquirers and individuals cooperating in investigations are treated fairly and without retaliation.

Each AAF company investigates reported matters, consults with Daikin's legal team, and implements measures to prevent recurrence, ensuring a system for prompt action.

Anti-Bribery and Anti-Corruption

Basic Principles

AAF, as part of the Daikin Group, is committed to preventing bribery and corruption in line with the Daikin Group Conduct Guidelines, focusing on "Free Competition and Fair Trading," "Practicing Moderation in Entertainment, Gift Exchanges, and Invitations," and "Maintaining a Firm Attitude against Anti-Social Activities". We work closely with Daikin's legal department to address and manage these issues effectively.

Anti-Bribery Guidelines for Public Officials

AAF adheres to the Daikin Group's "Public Officials and Anti-Bribery Guidelines," which provide conduct guidelines for interactions with public officials. These guidelines outline specific standards and approval processes for activities involving public officials, such as hospitality and gifts. To prevent indirect benefits through third parties, we enforce strict screening, selection procedures, and include anti-bribery clauses in contracts. Legal inquiries are directed to the Daikin contact point. Compliance is verified through self-assessment, regular reports submitted to Daikin's Corporate Ethics & Risk Management Committee.

Education and Awareness Activities

Training for managers and employees focuses on maintaining healthy relationships with public institutions, and ensuring appropriate entertainment and gift-giving to business partners. These activities aim to raise awareness and enhance knowledge on these critical issues.

Monitoring

Daikin's Internal Auditing Department conducts audits of business units and companies in high-corruption regions to ensure that anti-bribery measures are properly implemented. Any issues identified are promptly addressed by AAF in collaboration with Daikin’s legal department and reported to the Daikin Board of Directors and the Internal Control Committee.

Compliance Status in Fiscal Year 2024

In fiscal year 2024, AAF reported no violations or sanctions related to bribery.

Respect for Human Rights

Human Rights Policy

AAF promotes "Respect for Human Rights" based on the Daikin Group Conduct Guidelines and Human Rights Policy established in 2022. This policy aligns with international frameworks such as the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. It emphasizes compliance with international human rights standards and local laws, human rights due diligence, grievance mechanisms, employee education, and stakeholder dialogue. We also ask our business partners to adhere to these standards.

Human Rights Risk Assessment and Mitigation

AAF utilizes the Daikin Group's risk management system to identify and assess human rights risks throughout the value chain. Human rights-related questions are included in the annual self-assessment. The outcomes, along with identified risks, challenges, and countermeasures from the risk assessment, are reported to the Group's Corporate Ethics and Risk Management Committee and regional Legal and Compliance Meetings. The results are also shared with Daikin's Internal Control Committee and Board of Directors.

Respect for Human Rights in the Supply Chain

We include human rights guidelines in our Supply Chain CSR Promotion Guidelines, addressing discrimination, child labor, and forced labor. We ask our business partners to adhere strictly to these guidelines and improve their CSR practices. Additionally, we regularly share the results of CSR surveys with our suppliers, highlighting any identified issues and the actions taken in response.

Responsible Procurement

Basic Principles

At AAF, we are committed to responsible sourcing across our supply chain to meet our social responsibilities. We emphasize transparent, fair, and equitable business practices, viewing our raw materials and component suppliers as integral partners. AAF focuses on CSR-driven procurement, prioritizing environmental sustainability, quality, occupational safety, and human rights.

Supply Chain CSR Promotion Guidelines
https://www.daikin.com/csr/social/supplychain_gl

Green Procurement Guidelines
https://www.daikin.com/csr/social/green_gl

Guide to Our Global Sourcing Activities
https://www.daikin.com/purchase

Daikin Group Purchasing Philosophy and Policy

Purchasing Philosophy

“Respect Independence” and “Cooperation and Competition”

Purchasing Policy:

– Fair relations based on an open door policy
Provide open, equal, and fair opportunities for all companies, regardless of their locality, size, and sales results.

– Mutual growth through mutual trust
Create open conditions for business dealings and respect free competition.

– Look for good partners
In procuring from overseas, look for companies to share common profit and offer useful products to society.

– Observe laws and maintain confidentiality
Observe laws on business dealings and respect the spirit of these laws.

Provision of Equal Business Opportunities

AAF openly welcomes business partners regardless of their nationality, company size, or past business dealings.

Management Structure

As part of the Daikin Group, AAF identifies supply chain management as a key sustainability theme. The Green Procurement Subcommittee, which includes procurement leaders from each business, leads initiatives related to human rights and hazardous chemical management in our supply chain.

Promotion of CSR-driven Procurement

Evaluation of Suppliers

AAF ensures that suppliers understand the Daikin Group's Purchasing Policy and uses a supplier evaluation criteria sheet that takes regional risks into account. Suppliers are evaluated on management, quality, price, delivery time, and environmental impact. We assess suppliers' ESG-related risk management through surveys on compliance with the Global Supply Chain CSR Promotion Guidelines and conduct annual re-evaluations under the continuous business relationship evaluation system. Global standards are applied to environmental evaluations. Suppliers who fail to meet the standards must submit improvement plans, with our support provided, to help implement necessary improvements.

Deployment of Supply Chain CSR Promotion Guidelines

AAF promotes CSR across our supply chain, aligning with the Daikin Group's sustainability metrics and the 2025 goal of building a resilient, sustainable supply chain. Suppliers are expected to comply with the Daikin Supply Chain CSR Promotion Guidelines, established in April 2017, which cover environmental responsibility, quality control, labor safety, human rights, and the prohibition of transactions with conflict regions. Compliance is monitored through assessments, while feedback and guidance are given to ensure continuous improvement.

Approach to Addressing Conflict Minerals

AAF follows Daikin’s Basic Policy on Conflict Minerals (July 2013) and the Supply Chain CSR Promotion Guidelines. We encourage suppliers to source from conflict-free certified smelters and conduct conflict mineral investigations. To prevent involvement in unethical practices for example by armed groups in the Democratic Republic of the Congo and its surrounding countries, AAF adopts supply chain transparency and ensures responsible mineral sourcing with procurement partners.

Promotion of Green Procurement

AAF requests that suppliers follow Daikin’s Green Procurement Guidelines (2000), prioritizing environmentally-friendly materials. We assess compliance through the Green Procurement Survey, focusing on environmental and chemical substance management. Our goal is global compliance, and we provide guidance for improvements where needed. AAF aligns with standards like the RoHS Directive and REACH Regulation, updating guidelines regularly to meet stringent regulations.

Information Security

Information Security Policy

Effective Management and Protection of Confidential Information

AAF considers information leaks from internal systems, product services, and factory equipment as major risks. We strengthen information security based on the Daikin Group Conduct Guidelines, focusing on "Proper Management and Utilization of Information" and the "Basic Policy on Information Security". Information security leaders at each regional headquarters deploy the Daikin Group's security regulations and guidelines across AAF subsidiaries. Policies for social media use and management of confidential information, including third-party data, are established to raise awareness. The overall information security strategy, countermeasures, and common rules for the entire Daikin Group are reviewed by Daikin's Information Security Committee.

Robust Information Security

AAF continuously assesses compliance with security rules and implements improvements to prevent incidents. A reporting and response system minimizes damage from security threats. Employees report incidents to information security leaders, who then inform Daikin's IT Promotion Department and take the lead in identifying causes and preventing recurrence.

Information Security Education

AAF provides training to raise security awareness among managers, supervisors, and employees. Education on company rules through self-assessments, and information security articles in the company newsletter helps maintain awareness. Additional training on targeted email attacks is also conducted.

Information Security Inspections and Results

AAF includes information security items in self-assessments and conducts annual incident response tests. Deficiencies and issues are identified, and measures are strengthened. Results and countermeasures are reported to Daikin's Information Security Committee. Important matters are also reported to the Daikin's Corporate Ethics and Risk Management Committee, Internal Control Committee, and Board of Directors.

Protection of Customer Information

AAF follows Daikin Group's Personal Information Protection Policy to manage and utilize customer information appropriately. Compliance is ensured through internal rules, self-assessments, legal audits, and operational audits.