

DAIKIN SUPPLY CHAIN CSR PROMOTION GUIDELINES

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1. Social Responsibility in Business Practices

1.1. Have written rules to inform employees of their social responsibilities and ensure they strictly fulfill such social responsibilities in areas such as business policy and code of conduct in business practices and to pursue the fulfillment of social responsibilities based on appropriate management systems.

- Top management members take the initiative in fulfilling social responsibility
Have top management members take the initiative for social responsibility at your company by making policy and demonstrating this policy by example.
- Have written rules on management policy for furthering social responsibility
Formulate and put into writing rules for your company's (management's) policy on social responsibility, as well as codes of conduct for these rules, and convey these rules to employees and all others connected to your company's business operations.
- Pursue the fulfillment of social responsibility based on appropriate management systems
Adopt or establish an appropriate management system to identify, mitigate, and continually improve operational risks associated with compliance with laws, regulations, and customer requirements related to your business, as well as your company's policies and code of conduct related to your company's corporate social responsibility, and to achieve a sound business environment.

Documents to be submitted:

- Top management's CSR policy (CSR report, information on company website)
- Documents on CSR policy and code of conduct (CSR report, information on company website)

Implementation Elements:

- Establish a system to identify, monitor and understand legal and customer requirements
- Implement a risk assessment and management system
- Implement a management review system
- Set improvement goals
- Provide education and training
- Communicate appropriate information to employees, suppliers and customers
- Establish a complaint handling mechanism
- Conduct regular self-assessments (audits)
- Establish a corrective action process
- Establish documentation and records

2. Provision of safe, high-quality products and services

2.1. Always strive to ensure safety and quality of products for end users.
If problems arise, take action promptly and appropriately.

2.1.1. Ensure the safety and quality of products and parts

- Abide by relevant product-safety laws and product-safety standards in Japan and other countries.
- To ensure quality of products (and parts), take measures including the establishment of a quality management system, so that in all processes, from design and manufacture to sales and after-sales service, your company can ensure the level of product safety and quality that Daikin demands.
- To ensure that products (and parts) can be used safely, upon request from Daikin, provide it without delay with documentation such as delivery specifications and technical documents.
- Strive to provide the safest and highest-quality products by promptly obtaining information on products (and parts) from within Daikin or from the market and by

using this information to handle customer issues down the line and to provide the relevant company departments with proper customer feedback.

2.1.2. Respond promptly and appropriately when safety issues occur

- Gather information on accidents involving your company's products (and parts), report this promptly to your company's top management, and provide Daikin with appropriate information.
- If a safety issue occurs with your company's product (or part), prioritize end user safety by promptly taking all possible measures to prevent further accidents or to minimize damage from the accident.
- Upon request from Daikin, promptly provide Daikin with a written report containing your company's evaluation of the accident, its cause, and possible ways to deal with the problem.

Documents required for submission:

- If your company's products, or products that use your company's products, have in the past been cited for a violation of product safety laws, provide documentation of the violation and the measures taken to resolve the problem.
- If your company has formulated its own safety standards related to parts (and products) regardless of laws or requests from customers, disclose the content of these standards.

3. Free Competition and Fair Business Dealings

3.1. Pursue honest business activities by engaging in honest competition in abidance with Japan's Antimonopoly Act and the relevant laws of other countries and regions, and by abiding with other laws related to business dealings.

3.1.1. Observance the Antimonopoly Act

- To ensure free competition, do not enter into agreements with your competitors in any country to predetermine pricing, production and sales quantity, production and sales models, business partners, sales territory, date of product launch, or similar anti-competitive action.
- In the case of tendered bids and quotations, do not enter into any agreements with your competitors to predetermine bid price or bid recipient.
- Do not unfairly inhibit your dealers from selling other companies' products, nor restrict their sales territories, sales routes, purchase routes, or take any similar action in violation of the Anti-Monopoly Act or other fair-trade laws.
- Observe the laws and regulations relating to fair competition in each country and region, and conduct fair and honest business activities.

3.1.2. Strict Adherence to Purchasing Rules and Observance the Subcontract Act

- When selecting suppliers, widely open your door to companies worldwide to provide fair and equal business opportunities. In addition, grow together with your suppliers, maintaining friendly yet tense competitive relations so that you can develop your business together with your suppliers.
- Promote the understanding and cooperation of your suppliers with respect to Daikin's efforts towards legal compliance, respect for human rights, preservation of the environment, and contribution to the development of a sustainable society.
- Strictly observe the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) in regard to transactions with your suppliers as you follow sound business and work to protect your business partners.

4. Compliance with trade-related laws and regulations

4.1. Comply with trade-related laws and regulations of each country and region, and under no circumstances get involved in dealings that risk endangering world peace and safety and the maintenance of world order.

4.1.1. Ensure that Transactions Do Not Undermine Security

- Observe the Security Export Control Regulations and U.S. overseas application of the U.S. Export Administration Regulations governing trade laws from a standpoint of support for non-proliferation of weapons of mass destruction, deterrence to the excessive buildup of conventional weapons, and absolute avoidance of any possible involvement in or assistance to terrorist activities.
- Sufficiently verify the user and intended use of transactions involving exports by being attentive to the international situation and do not engage in any trade that conflicts with your company's social responsibility.
- Formulate clear in-house policies for secure export control, and abide by these policies to ensure thorough export control.

4.1.2. Observe Other Trade Control Laws and Regulations

- Besides ensuring secure export control as mentioned above, observe all related laws and regulations that concern the importing or exporting of products (or parts), including Japan's Foreign Exchange and Foreign Trade Control Law and the Custom's Law.

5. Respect and protection of intellectual property rights

5.1. Acquire and protect intellectual property rights for your company, respect the intellectual property rights of other companies, and ensure you do not infringe upon the intellectual rights of other companies.

5.1.1. Acquire, Protect, and Utilize Intellectual Property Rights

- Recognize that intellectual property is an important asset and strength of your company, and therefore properly maintain, manage, and protect your intellectual property rights while utilizing them effectively.
- Be conscious that your company's products (and parts) are used in Daikin's and other company's products around the world, and actively acquire and protect intellectual property rights, which are the result of your company's advanced, creative research and development.
- Gather information concerning intellectual property rights generated from all your organization's group companies, including overseas companies, and strive to fully understand and utilize intellectual property rights as a corporate group.
- Appropriately execute your rights in regards to infringement upon your company's intellectual property rights by third parties.

5.1.2. Respect the Intellectual Property Rights of Other Companies

- When developing new products (and parts) and technology, confirm that you are not infringing on the intellectual property rights of other companies anywhere in the world.
- In the legal licensing of intellectual property rights from Daikin and other companies, observe the scope of use specified in the contract when using those property rights. For example, be thorough in making sure you are not making illegal copies of software.

5.1.3. Do Not Copy Other Companies' Products

- In the interests of fair competition, do not without permission imitate the products (or parts) of any other companies during the development, manufacture, or sale of your products

6. Proper management and utilization of information

6.1. Properly manage and efficiently utilize confidential information and personal information of your own and other companies, and always ensure that such information is obtained under lawful means.

6.1.1. Properly Manage and Utilize Your Company's Confidential Information

- Properly manage and utilize the confidential information of your company to prevent it from leaking to outside the company.
- Should the disclosure of confidential information of your company become necessary, thoroughly consider the disclosure method, the scope of the confidential information to be disclosed, and other matters, and take measures such as signing confidentiality agreements in order to prevent the confidential information from leaking to third parties.
- Ensure that employees leaving your company do not leak confidential information that they obtained during their tenure with the company.

6.1.2. Fairly Obtain and Properly use the Confidential Information of Other Companies

- When obtaining confidential information of other companies, acquire this information by proper methods and from a person with authority to disclose it.
- Upon acquiring confidential information from another company, confine its use to the scope specified in the confidentiality agreement and properly manage the information as if you were handling the confidential information of your own company.

6.1.3. Properly Handle Personal Information

- When acquiring personal information, convey to the individual in question the purpose of use of the information and restrict its use to this purpose.
- Do everything possible to prevent the leak of personal information that is entrusted to you from business partners, employees, and others.
- Take the appropriate measures regarding requests by individuals to disclose, correct, or delete any of the personal information that you have stored in your database.

6.1.4. Appropriately Manage Personal Information Systems

- Protect your company's IT system (computer systems, networks, and information property kept within the computer systems), and build an environment for its proper use.
- Always be on guard for cyber attacks such as computer viruses from outside your company. If by chance your company is attacked, have measures in place to prevent against actual damage from viruses.

7. Prohibition of insider trading

7.1. To maintain trust as company, do not take a part in the buying and selling of stockshares with the aid of non-disclosed information obtained from your own or other companies (insider trading).

7.1.1. Do Not Take Part in Insider Trading Based on Your Company's Internal Information

- When material information (non-public information that may affect investment decisions) is gained regarding your company and its group companies, strictly manage such information in order to prevent leaks to third parties prior to public disclosure, and ensure that none of your employees buy or sell shares in your company for the purpose of profiting from the insider information.

7.1.2. Do Not Take Part in Insider Trading Based on Other Companies' Internal Information

- When material information is obtained on suppliers and other third party companies in the line of duty, strictly manage such information in order to prevent leaks to third parties prior to public disclosure, and ensure that none of your employees buy or sell shares in the company in question for the purpose of profiting from the insider information.

7.1.3. Prohibit Leaks of Material Facts

- When material facts of your company and its group companies, as well as other third-party companies (listed companies), are obtained, strictly manage that information prior to its public disclosure to prevent it from leaking to third parties and being used for the purpose of insider trading. In addition, do not convey that information to parties other than those who need it to perform work.

8. Timely and proper disclosure of corporate information

8.1. When stakeholders make requests for information based on proper reasons and conditions, do everything possible to disclose such information in a timely manner, and strive to further communication with stakeholders.

8.1.1. Be a Highly Transparent and Open Company that Earns the Respect of Society

- If Daikin or other group companies make requests for information on your company's business based on proper reasons and conditions, disclose such information in a proactive and timely manner. In addition, build a relationship of trust with Daikin through communication and strive to be a highly transparent and open company.

8.1.2. Disclose Investor Information in a Timely and Appropriate Manner

- Disclose investor information to your stakeholders in accordance with laws and regulations. In addition, disclose valuable and reliable information on your management philosophy, management strategy, business plans, and other facets of business in a proactive, appropriate, and timely manner so that your stockholders gain a full understanding of your enterprise's management.

8.1.3. Cooperate in Inspection Tours and Audits of Your Factories

- Cooperate in every way possible with requests from Daikin for inspection tours or audits (regarding quality, safety, or other necessary matters) of your factories.

9. Preservation of the global environment

9.1. Observe all applicable laws and regulations in each country and world region, and practice initiatives that preserve and improve the global environment in all aspects of your business operations, including product develop, manufacturing, sales, distribution, and service.

9.1.1. Observe Environmental Laws and Regulations

- In the execution of your business activities, observe environmental laws and regulations, reduce the environmental load of business activities, and take measures to prevent environmental pollution.

9.1.2. Implement Measures to Protect the Environment in All Aspects of Business

- Work with Daikin and other business partners and suppliers to carry out environmental protection activities in all aspects of your business operations, including manufacturing, distribution, sales, and after-sales service.

9.1.3. Contribute to Environmental Preservation through Product Development and Technological Innovation

- Pursue development and technological innovation of products (and parts) with superior environmental performance while having a firm, quantitative understanding, from the planning and design stages in product development, of the impact that your business has on the environment.

9.1.4. Environmental Communication

- Pursue honest and fair disclosure of information on your company's environmentally related efforts and successes. In addition, in your initiatives, utilize outside knowledge obtained through, for example, dialogue with stakeholders.

9.1.5. Encourage Employees to Preserve the Environment Both in the Workplace and at Home

- Contribute to local communities and society by increasing environmental knowledge and awareness among your employees through environmental education and volunteer activities, reduce environmental load with energy savings and resource conservation in the workplace and at home, and tackle initiatives for biodiversity conservation that protect nature and recycle.

9.1.6. Prevent Environmental and Health Hazards in the Community

- Be aware of the environmental impact that your business has on not only your factory but on its surroundings as well so that you do not cause environmental and health hazards in the community.

9.1.7. Cooperate with Green Procurement Surveys and Strive to Improve Green Procurement

- Cooperate in all aspects of Daikin's Green Procurement Surveys, and continuously strive to improve your company's Green Procurement Score on these surveys.

10. Ensure safe operations and appropriate hygiene management

10.1. Take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions you serve. Implement appropriate hygiene management and disease prevention measures.

10.1.1. Observe Safety-related Laws and Regulations and Establish and Observe Internal Standards to Ensure Safe Operations

- Establish safety-related laws and regulations and internal company safety rules in response to experience and past failures, and observe these policies in the interests of safety. Observe society’s safety-related laws and regulations, establish internal rules suitable to your company’s business, constantly review these rules to make them appropriate, and strictly follow them in order to raise the level of safety.

10.1.2. Take Precautions Based on the Likelihood of Danger

- To ensure operational safety, determine the possible sources of hazards before an accident or disaster occurs, and take precautions to prevent such occurrences. Together with near-miss training and danger prediction activities, examine possible causes of danger in the workplace through risk assessment, and draft countermeasures for risk and conduct PDCA in order to achieve “zero danger” in every aspect of your organization.

10.1.3. Take Immediate Action in Response to an Accident or Disaster

- In the event of an accident or disaster, rescue the victims and prevent the spread of the accident or disaster. If necessary, take prompt and speedy measures in the community by, for example, issuing an evacuation order for locals and leading them in the evacuation.
- Have a business continuity plan (BCP) in place that includes measures such as quickly restoring equipment damaged in the disaster. If a disaster occurs, make every effort to minimize its impact.

10.1.4. Appropriate hygiene management and disease prevention

- Exposure of workers to hazardous substances (e.g. chemical and biological agents) must be identified, assessed, and risk managed.
- Provide clean hygiene equipment and eating facilities and areas for employees.

11. Respect for human rights and diversity, and compliance with labor-related laws

11.1. Respect individual human rights, diverse values, and working philosophies, and strive to build a workplace where people feel safe and free to work in their own way. In addition, observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances sanction the labor of underage employees, minors who do not meet minimum legal age requirements (child labor), or labor performed under compulsion or against a person’s will (forced labor).

If there are contradictions between laws of each country and internationally accepted standards of human rights, pursue the method to respect universal human right principles at maximum efforts.

11.1.1. Respect Human Rights and Diversity

- Respect the human rights of suppliers and various stake holders in addition to each and every employee, both those of your own company and those working for companies you outsource to, without regard to nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Strive to ensure a pleasant working environment and good human relations in the workplace. Strive to explain labor conditions in mother language of the workers or language that the workers can understand, and to communicate properly so that both employer and employees can understand. Strive to make fair and lively workplace and preserve privacy of workers, and do not engage in any forms of harassment, unreasonable restriction of move and

forced labor. Furthermore, evaluate business risks by human rights due diligence and mitigate and improve the risks by mechanism of correction and grievance adjustment.

11.1.2. Observe Laws and Regulations Related to Labor Practices

- Thoroughly comply with all labor laws and regulations (Labor Standards Law, the Industrial Safety and Health Law, the Labor Union Law, the Worker Dispatch Law, etc.) and promote a relationship where “the company and the individuals who work there are drawn together by mutual preference,” thus creating a workplace foundation that allows each and every employee to work with enthusiasm. Furthermore, respect freedom of association and right to collective bargaining following laws applied in the nation and district on business and strive to secure appropriate wages and management of working hours.

11.1.3. Ensure Workplace Health and Safety

- Conduct daily inspections of workplaces for possible causes of disasters and implement disaster prevention measures so that you can create a work environment where disaster risk is minimized and where your employees can thus work in safety.

11.1.4. Instill Pride in Your Employees

- Have all your employees act in awareness of their responsibility as members of society. Do not commit any anti-social or illegal acts, and do not get involved with any companies or individuals committing such acts. In addition, observe your working regulations and internal company policies and do not commit any dishonest or unfaithful acts. Moreover, maintain internal order and public morals and work diligently and with sincerity.

International norms:

Universal Declaration of Human Rights, The United Nations Guiding Principles on Business and Human Rights, United Nations Global Compact, ILO Declaration on Fundamental Principles and Rights at Work, OECD Guidelines for Multinational Enterprises.

12. Protection of company assets

12.1. Properly manage the tangible and intangible assets of your company to protect and effectively utilize these assets.

12.1.1. Use Corporate Assets Only for Business Purposes

- Establish and enforce internal rules in order to effectively utilize your company’s assets and make them your own, and do not use these assets for any purpose other than company business.

12.1.2. Protect Corporate Assets

- Enact protective measures for corporate assets (such as daily disaster-prevention activities) and always handle the assets with care to prevent their loss, damage, or theft. In addition, make every effort for appropriate credit management to limit exposure and prevent the occurrence of uncollectible debts.

12.1.3. Properly Manage Corporate Assets

- Avoid speculative trading in the management of your company’s corporate assets (real estate, securities, etc.).

12.1.4. Conclude Appropriate Contracts

- Before concluding an agreement, thoroughly examine the contractual terms of the agreement to ensure that your rights are secured and that you avoid assuming unreasonable obligations. In addition, fulfill the terms of the agreements you have concluded.

13. Proper handling of accounting procedures

13.1. Perform accounting procedures lawfully and properly according to accounting standards and tax laws, and strive for a high level of internal control.

13.1.1. Pay Expenses Properly

- When paying expenses, use all possible means, including internal rules under which multiple people conduct checks, as part of strict measures to ensure the avoidance of unfair or improper expense payments.

13.1.2. Ensure Fair Accounting

- Conduct accounting based on generally accepted corporate accounting principles in order to ensure the accuracy of your accounting and financial data. Likewise, build and maintain an appropriate internal control system to ensure the accuracy of financial reporting.

13.1.3. Observe Tax Laws

- Pay taxes in accordance with relevant tax laws.
- For overseas transactions, including transactions by companies in your corporate group, carefully check how tax laws apply in the countries of your group companies' and in the countries of the companies your group companies are dealing with.

14. Practicing moderation in entertainment, gift exchanges, and invitations

14.1. Exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regards to entertainment, the exchange of presents, and invitation relating to your business. In particular, do not entertain, provide gifts of monetary value, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each country and region.

14.1.1. Maintain Sound and Transparent Relationships with Government and Municipal Offices

- Do not provide entertainment, gifts, or invitations to any public servants in government offices in accordance with laws such as Japan's National Public Service Ethics Act.
- In striving to expand your global business, do not provide entertainment, gifts, or invitations to any public servants in overseas government offices in accordance with national or regional laws and regulations.

14.1.2. Observe Japan's Political Funds Control Law and Public Offices Election Law

- Before making a political donation or contribution, whether to a candidate or a political party, thoroughly study and uphold laws such as Japan's Political Funds Control Law and Public Offices Election Law, and follow any relevant procedures that are specified.

- 14.1.3. Practice Moderation in Entertainment and Gift Exchanges with Business Partners
- When entertaining, exchanging gifts with, or extending invitations to customers or business partners, comply with the laws and regulations relating to each country and region and seek moderation appropriate to the standards of society in maintaining sound business practices.

15. Firm stance toward anti-social behavior

15.1. Take a firm attitude against anti-social forces and organizations that threaten the safety and order of citizens

15.1.1. Prohibit the Giving of Material Benefits to any Person Regarding the Exercise of Shareholders' Rights

- Prohibit the giving of material benefits to any person regarding the exercise of shareholders' rights.

15.1.2. Prohibit Dealings with Anti-social Forces and Organizations

- Do not take part in dealings that serve as supporting or providing illegal profit to any anti-social forces or organizations.
- Do not enlist the support of anti-social forces or organizations in pursuit of business activities.

15.1.3. Institute Zero Tolerance of Anti-social Forces and Organizations

- Do not meet any unjustified or unreasonable demands of any criminal groups or organizations.
- If contacted by an anti-social force or organization, handle the matter on an organization basis, not an individual basis. Moreover, regularly work to build a specific link between law enforcement officers and outside specialists such as lawyers, and in the case of an emergency take appropriate measures through both civil and criminal legal channels in cooperation with outside specialists.

16. Observing each category of industry law and regulation

16.1. We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

16.1.1. We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

16.1.2. We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

17. Proper grasp of industry risks and implementation of business continuity Management

17.1. Conduct appropriate risk management in your company's business activities, and have a business continuity Management (BCM) in place.

17.1.1. Conduct Economic, Social, and Environmental Risk Management in Your Company's Business Activities

- Always have a clear picture of your company's business risks and have a BCP in place by studying the economic, social, and environmental risks of your business and if necessary updating aspects of your company's risk management policy.

17.1.2. Implement BCM to Avoid Risk

- With regards to business continuity risks, prevent and prepare for emergencies by having rules stipulating measures to take in case of emergencies. In particular, strive to avoid risk by clearly stipulating action guidelines related to recent major problems such as global warming and human rights risk.

17.1.3. In Business Continuity Efforts, Have Company Executives Lead by Example on Key Governance Issues and Inform All Employees of these Issues

- In the area of business continuity, have company executives lead by example and have rules covering the entire company. In addition, ensure each and every employee is thoroughly versed in these rules and have all employees work together to ensure the sustainability and continuity of business.

17.1.4. Disclose Information on BCM Initiatives

- If requested, immediately inform Daikin of the details of your company's BCP.

17.1.5. Implement BCM that Covers Entire Supply Chain

- Implement business continuity actions (BCM) that covers not just your own company but also the actions efforts of your suppliers through entire supply chain.