

ESG & Q Report August 2021

_Environmental
_Social
_Governance
_Quality



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_01 Introduction

In a globalised world with permanent changes, it is very important to us as an innovation leader to act in a forward-looking and sustainable manner. It is our task to set standards upon which the next generations can build, taking ecological aspects into consideration as well as with regard to the ability to finance our future.

As we publish this ESG report, world events continue to be strongly influenced by the coronavirus epidemic (COVID-19). Especially during this time, and even under more challenging circumstances, it is important for us to uphold and adhere to our values. AHT became an official part of the Daikin Group in February 2019. As a proud member of the Daikin family, we are particularly committed to pursuing the company's shared ESG goals and supporting them as best we can with our own initiatives.

This report provides a brief summary of current activities in the AHT Group that are being carried out towards the common goals in the areas of the environment, social affairs, corporate governance and quality. The current ESG & Q guideline can be seen on the AHT website at: <https://en.aht.at/company/sustainability>

OUR DAILY ACTIVITIES ARE GUIDED BY THE FOLLOWING PRINCIPLES

- _01** Good and trusting customer relationships are very important to us
- _02** As an innovation leader, we always want to be one step ahead of the industry
- _03** The foundation of our success are our employees
- _04** We work together to create new values and achieve growth for a better future through sustainable actions
- _05** We take responsibility for the environment and society
- _06** We live our code of ethics

_02 Environmental

The DAIKIN Group has set itself the goal of reducing greenhouse gas emissions to virtually zero by 2050 through safe, healthy and environmentally friendly products. Year after year, various projects, new and sustainable products as well as environmentally friendly actions will contribute to this vision. Within the AHT Group, the following projects are currently contributing to this at the Rottenmann site:

Environmental friendly surroundings

_LED booster for old lighting systems

In cooperation with the University of Leoben and FH Joanneum Research Materials in Weiz, LED boosters from Styria are now replacing the old lighting systems at AHT. The LED booster is a specially developed lighting variant with efficient optical light control. Thanks to the innovative design in combination with new foil technology, an optimal and flexible light cone change is achieved with very good distribution and quality. In terms of sustainability, all components can be easily replaced or adapted without having to completely replace the entire light. By converting the existing lighting in the production halls and office buildings to innovative LED booster technology and LED carrier plates, a total of 1.008.243 kWh can be saved per year. This results in a CO₂ saving of 106.800 kg/year. Due to the increase in energy efficiency, the investment has a high impact in terms of climate targets, making a positive contribution to the reduction of CO₂ emissions.

SAVINGS

1.008.243 kWh/year

CO₂ SAVINGS

106.800 kg CO₂/year



_Installation of solar panels

AHT has been striving for years to make its production environmentally friendly and climate-neutral. Above all, the reduction of CO₂ emissions is a major goal. To achieve the goal of climate neutrality, the “Green Power Project” was launched last year. The aim of this project is to harness the potential of AHT’s large roof areas for electricity generation.

This will enable AHT to tap into this underused resource, reduce costs and at the same time contribute a great deal to environmental protection in the region. First phase completed: In the first phase, hall roofs were equipped with solar panels. These solar panels generate 660.000 kWh per year and save the environment about 70.000 kilograms of CO₂ per year. Further CO₂ savings: In the second phase, these capacities will be further expanded to reduce the environmental footprint even more. This will produce an additional 660.000 kW/h of electricity per year through solar energy.

This means further CO₂ savings of 70 tonnes. The “Green Power Project” will thus generate over 1.200.000 kW/h of electricity per year in a sustainable manner and reduce AHT’s CO₂ footprint by over 140 tonnes.

POWER SAVINGS

723,6 kWp

POWER GENERATION (Phase 1)

660.746 kWh/year

CO₂ REDUCTION (Phase 1)

70.000 kg/year

Environmentally friendly purchasing

The use of environmentally friendly, reusable containers was already implemented at AHT Rottenmann for some products in the past. In the course of the changeover, approx. 32.700 m² of foam film (approx. 300 m³ of waste) were saved annually. Another reusable solution is currently being worked on:

NEW PACKAGING, KINLEY Cover plate with gills



Here, an improvement in the packaging was implemented in partnership with our supplier and with valuable input from our production.

Before the changeover, the cover plates were individually wrapped in 1 m² of packing foam film and delivered to us stacked on top of each other.

As a result, large quantities (approx. 30.000 m²) of packing foam film were produced as waste, which corresponds to a volume of approx. 100 – 150 m³.

From now on, the supplier will use PE foam pads for the new environmentally friendly packaging, each of which will be inserted into a Euro wire basket or Euro pallet with a stacking frame and protect the product.



Environmentally friendly products

ECO DESIGN-Guideline

The ECO Design Directive was created by the EU—based on Directive 2009/125/EC—to promote the environmentally sound development of energy-relevant products and thus contribute to the reduction of greenhouse gas emissions. This directive provides a framework for all cooling appliances with a direct sales function.

In this regulation, energy consumption in the use phase of cooling appliances is considered the most important environmental aspect. In addition, direct emissions from refrigerants and the availability of spare parts are also included in the consideration. To determine an energy efficiency rating—from A to G (as already known from household appliances)—reference or limit values are determined by means of specified and standardised calculations and formulas.

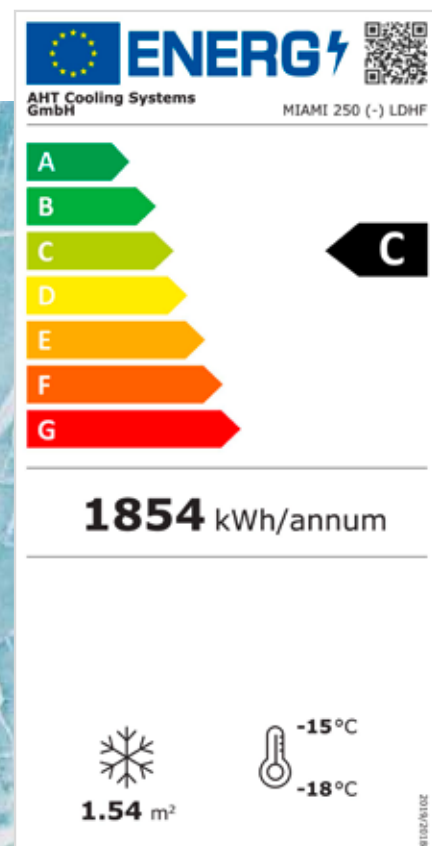
All appliances brought onto the market in the EU must be within these limit values and show the energy efficiency class. This should make it clear to the operator of the refrigeration appliances which appliances are energy efficient and which are not. This in turn should lead to competition among manufacturers to bring ever more energy-efficient models onto the market.

All listed models can be viewed at the following link: <https://eprel.ec.europa.eu/>.

Of course, AHT has also switched to labelling according to ECO guidelines in accordance with the legal requirements.

ECO-DESIGN-GUIDELINE

Environmentally sound development of energy-relevant products using the Miami 250 (-) as an example



Environmentally friendly products

Sustainable products

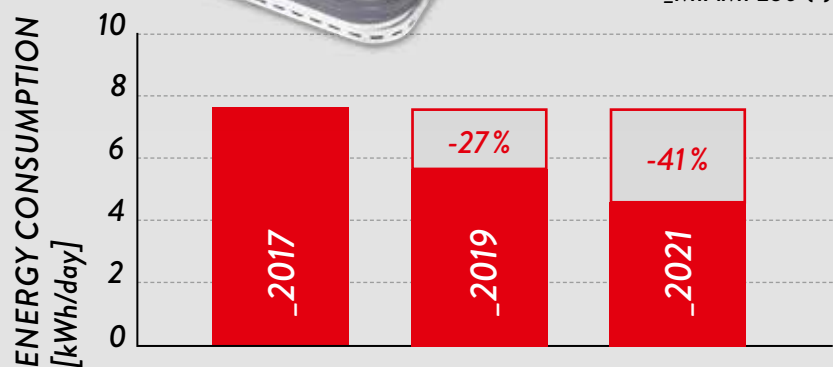
Sustainability and energy efficiency are the basis for the development, production and operation of AHT systems. As an environmental pioneer and with the use of climate-friendly propane for the majority of our products, we have been leading the industry with our innovations for more than 15 years. Year after year, we continue to invest in R&D to reduce the energy consumption of our products while maintaining the same high quality. In 2021, another significant leap in energy savings will be made by using the latest compressor and controller combinations.

The following is a graphical representation of the energy reduction achieved using the AHT Miami 250 chest (-) as an example.



IMPROVEMENT IN ENERGY EFFICIENCY JUMBO FREEZERS

_MIAMI 250 (-)

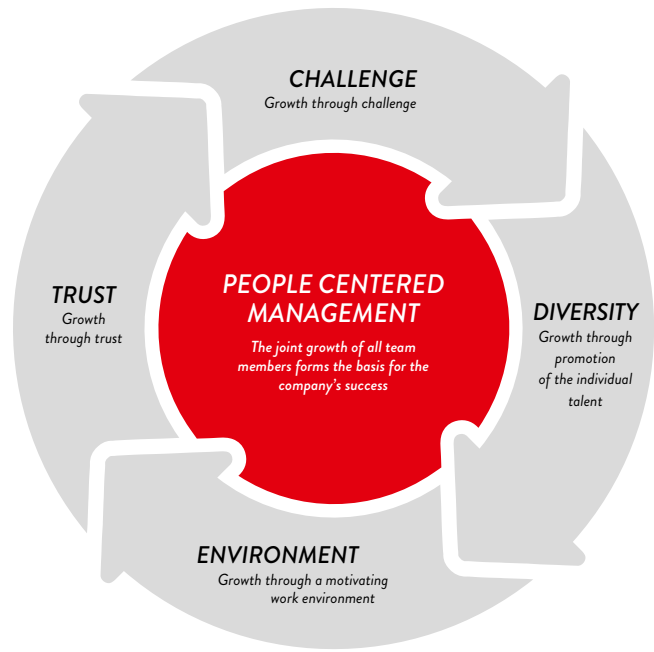


_03 Social **Focus on our workforce**

The employees of the AHT Group are the foundation of our company's success. As part of the DAIKIN Group, we also live the principle of "People-Centred Management" in which the focus is on people, and thus motivated, creative, customer-friendly and value-adding work is achieved.

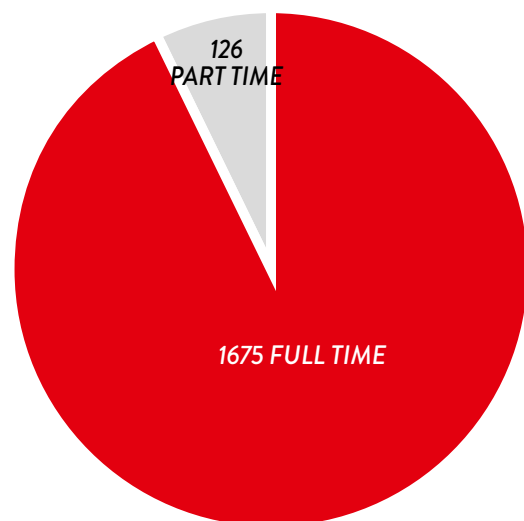
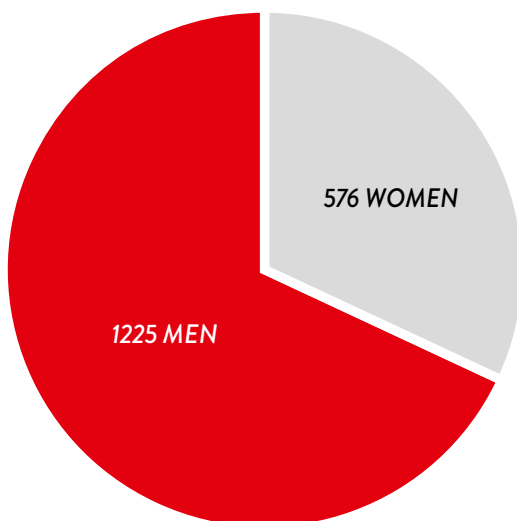
This includes a range of activities that make the AHT Group an attractive and long-term employer:

- _ Workplace health promotion (WHP)
- _ Professional onboarding
- _ Expansion of internal communication
- _ AHT apprentice training
- _ Modern office space



KEY FIGURES OF THE AHT GROUP INCLUDING CONTRACT WORKERS

_ Total: 1801 Employees



Focus on our workforce

Introduction of workplace health promotion (WHP)

In April, AHT launched the “G’sunde Momente” (“Healthy Moments”) WHP project at the Rottenmann site. In the future, employees will be offered a wide range of measures, activities and services to promote health and well-being, and these will be integrated into everyday working life. The “Here we go moment”, a joint (virtual) walk covering 2155 km from AHT Rottenmann to Madrid, started very successfully at the beginning of May with 52 registrations / 260 participants.

At the same time, a comprehensive employee survey on mental and physical stress in the work environment was started at the Rottenmann site. With the help of health circles (working groups for the production and office areas), further measures will be jointly developed from July onwards.

The project goals include improving the working environment and working conditions, promoting active employee participation, reducing health-endangering stresses, and creating opportunities for stress reduction.

The project, which will last approximately 18 months, is being carried out in cooperation with and with the support of ÖGK Steiermark and will subsequently be carried over into a sustainable occupational health management system.



WHP PROJECT
»HEALTHY MOMENTS«



Focus on our workforce

_Professional onboarding – Welcome to AHT right from the first day

AHT has completely revised the existing onboarding process to give new team members a professional start in the AHT working world. With an AHT Morning Welcome and a guided tour of the plant on the first day of work, new AHT employees start their new jobs well informed. At further Welcome Days, new employees benefit from exchanges with their colleagues and receive an overview of AHT's corporate processes directly from AHT department heads. After a few weeks, a structured onboarding dialogue is moderated by HR between employees and supervisors to evaluate how the induction and personal arrival at the company are working.

_Expansion of internal communication

Under the motto “from AHT employees for AHT employees”, the aim of expanding internal communication is to keep more than 1800 employees with different interests and information needs up to date on what is happening at AHT. As a first step, an internal AHT newsletter was launched as a communication channel. Derived from an internal communication strategy, the internal channels are being expanded continuously.

EXPANSION OF INTERNAL COMMUNICATION
“from AHT employees for AHT employees”



Focus on our workforce

AHT apprentice training

AHT Cooling Systems GmbH is one of the biggest companies in its region offering professional training and thereafter secure jobs and challenging career opportunities for local teenagers and twens. The apprenticeship is a professional training lasting 3 – 4 years (depending on the chosen profession) where 80 % of the time is training on the job directly in the company supervised by special trainers/coaches. 20 % of the time is theoretical education at a vocational school. That is why this form of professional training is called the “dual education system.” At the end of the training, there is a formal exam held at the Austrian Economic Chamber. AHT currently employs 35 apprentices in 7 different professions in technical, administrative and IT fields. We see apprenticeship as an investment in the company’s future, delivering us the well-trained experts we need for AHT’s success.

Apprenticeship has a long history at AHT—several hundreds of apprentices have been trained over the decades. Our apprenticeship graduates represent 25 % of our white-collar workers and are very loyal AHT employees with an average company loyalty of around 15 years. Some of them have even spent their whole professional lives with AHT. There are all kinds of career paths, from skilled workers or clerks to global department heads. Because of its outstanding training programme for young people, AHT was awarded “State-honoured Training Company” by the Austrian Federal Ministry for Digital and Economic Affairs in 2019. This award is presented to companies with outstanding achievements in the field of vocational education and training. Only 4 % of all companies in Austria are awarded this certificate.



25% of our white collar workers are apprenticeship graduates with an average company loyalty of around **15 years**

Modern office space for efficient and motivated work

Some of the previously available office space was already in urgent need of renovation and no longer met the requirements of today’s work. With the renovation of the building, an atmosphere was created that encourages motivated and concentrated work and, with the latest ergonomic furniture and environmentally friendly installations, also contributes to employee health and energy savings.



Lifelong learning as a success factor

_AHT Leadership Academy

A comprehensive internal training course was launched for employees with leadership responsibilities. The participants deal with the professionalisation of their leadership work in several modules. The AHT Leadership Academy makes an important contribution to the development and successful shaping of the company through a jointly supported leadership culture.

_E-Learning Academy

With the introduction of a new training platform AHT employees have online access to continuous education, keeping up to date with AHT training matters, and being able to schedule training times flexibly and from any location. Depending on their requirements and needs, AHT employees can choose from numerous online courses in different areas, ranging from communication and intercultural training to languages.

_Training centre for our production teams

In December 2019, AHT started the implementation of an internal training centre for all AHT production employees. Two fixed days were defined for this with 8 people each from different production departments. After a break due to the coronavirus, resumption of the training is planned for September 2021.

_Practical training on our products and elements of the Daikin training programme

_Trainers: In-house production personnel with training experience

The theoretical training covered the following points::

- _safety***
- _productivity***
- _quality***
- _lean with best practice examples***



Working safely at AHT

„ZERO RISK“ CAMPAIGN

A healthy working environment and the highest occupational safety standards are the most important goals for AHT. For this reason, our site in Rottenmann was certified according to the international ISO 45001 system several years ago. Since AHT wants to continuously develop for the better, the Zero Risk campaign was launched with the aim of involving employees even better and raising the occupational safety culture to a new level.

It is of utmost importance to AHT that the employees come to the company in good health and return home in good health. To achieve this, a wide range of measures have been introduced. These include, among other things, the improvement of instructions, increased preventive maintenance and inspection of machines, or additional training on the subject of occupational safety.

In the future, every employee should feel actively responsible for occupational safety, proactively communicate unsafe actions or conditions to superiors, and also point out possible improvements to colleagues.



Working safely at AHT

_Safety and ergonomics in production

A number of activities were also implemented in production to make the daily work on the production line safer and more ergonomic. Among other things, the following measures have been implemented in the production area in recent months:

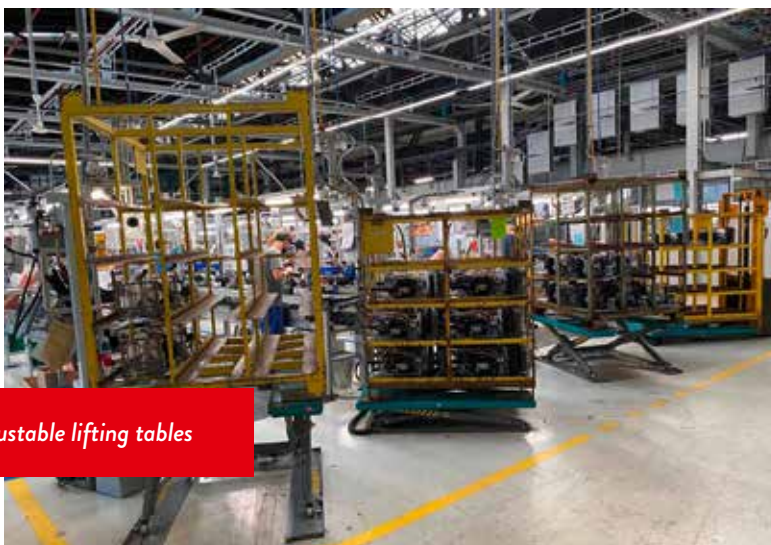
_Installation of lifting tables—for ergonomic storage of the condensing units in the transport racks

_Lifting tables are height-adjusted according to the compartment position

Furthermore, in cooperation with AUVA (Austrian Workers Compensation Board), the physiological stresses at the individual workplaces were surveyed between June 2020 and March 2021 and countermeasures were identified, which are now being implemented step by step.



Fall protection on the Kinley production line



Height-adjustable lifting tables

Safety for the company – our company fire brigade

There is a voluntary company fire brigade at the Rottenmann site. For 67 years, employees have invested their free time to protect AHT. Drills are held on a regular basis, where a wide variety of deployment scenarios are practised. Firefighting operations, technical operations such as floods and gas accidents are practised. First aid training and special fire brigade paramedic training courses are also held.

Through its immediate deployment, the company fire brigade has already been able to save the company from major damage on several occasions, for example in the case of threatening floods, a fire starting at an electrical equipment cabinet, and recently when a district heating pipe burst in the production building.

To support the population of the region, the company fire brigade team is also called upon time and again to assist in disaster relief operations after mudslides or to fight forest fires. To be able to continue to ensure the safety of the company, a new vehicle was purchased this year to replace the existing model from 1978.

- _Being deployed for 67 years*
- _Around 16,000 hours of service*
- _31 active members*



_04 Governance

Securing and complying with all legal requirements, providing a safe working environment as well as fair, trustworthy and ethically correct actions determine our everyday work. The corporate ethics of AHT and the DAIKIN Group are defined by the following principles:

- _01** Ensuring compliance with all legislation
- _02** Marketing safe, high-quality products and services that anticipate the future needs of end-users
- _03** Conducting all business activities on the basis of the principles of fair competition
- _04** Practising fair procurement by maintaining amicable yet demanding and competitive relationships with suppliers
- _05** Respecting intellectual property rights and confidentiality in connection with business and trade secrets
- _06** Timely and appropriate disclosure of company information
- _07** Being a company that aims to minimise the potential negative impact of its activities on the environment
- _08** Ensuring that all our activities are hazard-free
- _09** Fostering a dynamic operating environment that encourages pride and enthusiasm in every employee
- _10** Protecting the company's assets
- _11** Exercising restraint in the exchange of entertainment and gifts
- _12** Maintaining a firm stance against unlawful, anti-corporate and unethical behaviour

These core elements are supported by the following guidelines, which can be consulted at any time upon request:

- _Corporate COMMUNICATION Handbook*
- _Ethical Code*
- _ESG&Q Policy*
- _GUIDELINE FOR PUBLIC Relations Work*
- _Anti-Bribery Policy*
- _Privacy Policy (GDPR)*
- _Economic Sanctions*
- _Export Manual*



_05 Quality

The quality of the products, processes and workforce has distinguished AHT for decades. To guarantee this for the future, continuous improvement of the quality management of the AHT Group is constantly pushed. There is annual quality planning of what measures are necessary to ensure the further development of our management system in compliance with ISO 9001:2015. This includes the further development of key figures to be able to make better fact-based decisions. Needs are identified with the process owners to develop targeted training for all employees, which is necessary to ensure process assurance in various areas. The following main training will take place in the next few years:

- _What is a quality management system according to ISO9001:2015?*
- _Working with IBM Connections software and document management*
- _What to do when blocking components and making exceptions?*
- _What is an 8D report and corrective and preventive measures?*
- _IQM defect recording during the production process: how do we do it and why?*

Another important component of quality improvement will be the continuous development of external processes that have a significant influence on AHT products. Here, the topic of supplier management will be analysed in detail in order to identify improvement potential. For this purpose, we will strengthen the quality management team by adding a supplier quality engineer. AHT will define a process of minimum requirements regarding what tasks the suppliers have to fulfil and what methodological competence AHT expects. All this will be monitored by supplier audits, and weaknesses will be analysed to be able to initiate improvements.

It is and remains an exciting task to drive continuous improvement, and everyone can contribute positively to further improve customer satisfaction and strengthen the bond with AHT.

_06 General

For questions, comments or more information, please contact the General Affairs Team.