

DAIKIN TURKEY CLIMATE RISKS REPORT 2021

> A LIVABLE FUTURE WITH DAIKIN



DAIKIN TURKEY CLIMATE RISKS REPORT 2021



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Introduction

As Daikin, we care about the air. We utilize our years of experience in the air conditioning field and our passion for innovative technologies to make the air we live in the best possible air and we want to do this by caring for the environment and protecting future generations.



By 2050, Daikin aims to reduce its greenhouse gas emissions to net zero in all its operations and in the products and solutions it offers.

Daikin Heating and Cooling Systems Industry and Trade Inc. ('Daikin Turkey') presents its climate change related practices to all its stakeholders by means of this first Climate Risks Report. In this report, Daikin Turkey's climate change related strategy, governance, risk management and related metrics and targets are shared with its stakeholders.

In line with our Daikin FUSION 25 (F-25) strategy program which aims to create new value for environment and air by contributing to Daikin's growth and sustainable society at once, Daikin Turkey is relentlessly working to meet our net carbon zero pledge by embedding combat with climate change in our strategy, by establishing a governance structure to proactively address the issue, by continuously assessing climate related risks and opportunities and by reporting and measuring our greenhouse gas emissions and related targets. This Climate Risks Report describes how climate change is impacting our business operations and how we are addressing this global issue. As Daikin Turkey, we have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This report provides a description of our activities in line with each of the TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets. In the relevant sections of this report, our approach, strategic priorities and future plans to effectively combat with the climate change while ensuring our exemplary stance in the HVAC sector are explained.

All information contained in this report is provided by Daikin Turkey, unless otherwise stated and covers its activities from 01.04.2020 to 31.03.2021 (FY20).

About Daikin Turkey

Daikin Turkey, which has been operating in Turkey through distributors since 1978, has become an ambitious investor in the Turkish air conditioning sector by acquiring Airfel in July 2011. Among other brands, Daikin has the widest product range in Turkey in the Heating, Ventilation, Air Conditioning and Industrial Refrigeration (HVAC-R) sector.

Daikin Turkey manufactures Daikin and Airfel also assumed the responsibility of the CIS countries branded air conditioners, combi boilers, fancoils, (Azerbaijan, Uzbekistan, Turkmenistan, Kazakhstan, air handling units with cutting edge technology Kyrgyzstan and Armenia, Tajikistan), Georgia, to offer total air conditioning solution to meet Northern Iraq and TRNC. different customer needs. Products of Daikin and Airfel brands are manufactured with the latest Daikin Turkey produces highly efficient air technology in production facilities established on handling units, hygienic package type air handling units, cell aspirators, pool dehumidifiers, kitchen an area of 100,000 m² in Hendek, Sakarya. Daikin Turkey conducts its activities together with Daikin aspirators, shelter ventilation devices and heat Global's operations all over the world in accordance recovery devices in Hendek Production Facility. with ISO 9001:2008 Quality Management System Company's ventilation systems are preferred in and Daikin Quality Policy. many prestigious hotels, hospitals, pharmaceutical factories, shopping malls, congress centers and Today, Daikin Turkey has the widest product range in office projects in Turkey and abroad. The factory Turkey in the air conditioning sector. With 8 district which attaches great importance to R&D has an offices, 500 dealers, 16 women entrepreneur Sakura annual combi boiler production capacity of 220 dealers, 500 sales points and over 500 authorized thousand units. Air conditioners produced in services, it serves a wide geography in Turkey. the Split Air Conditioner Factory with an annual capacity of 1 million sets are tested for 100% Positioned as the R&D, production and logistics base electrical safety, functionality and high pressure in enthalpy, calorimetric, electrical safety and sound of Eastern Europe, Turkic Republics, the Middle East and North Africa as well as Turkey, Daikin Turkey measurement laboratories.



Daikin Turkey Hendek Production Facility

Daikin Turkey's Sustainability Approach

Daikin Turkey's sustainability approach stems from Daikin Fusion 25 strategy program which aims to contribute to sustainable society and Daikin's growth by creating new value for the environment and air.

Daikin Turkey aims to reach the highest quality and service standards, exceeding legal rules and laws which specify the minimum criteria. In line with its vision and mission statements, Daikin Turkey aspires to be the pioneer, profitable market leader in its primary product and service categories by focusing on operational excellence to give a superior customer and employee experience. It carries out its activities in collaboration with its stakeholders with the goal of improving the quality of life in all areas of life through innovative and environmentally friendly solutions. Daikin Turkey's main goals defined in line with F-25, which includes Daikin companies' main strategies under different themes until the end of fiscal year 2025 are given below:



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In this direction, the **Sustainability Management System** has been added to Daikin Turkey's Corporate Governance targets as of the fiscal year 2021. Daikin Turkey aims to effectively measure, monitor and continuously improve its performance in accordance with its priority sustainability focus areas using the management system. The starting point is to turn sustainability into a business model that incorporates it into Daikin operations in a systematic manner. Daikin Turkey is working hard to contribute to reach the Daikin Worldwide 2025 goal, which is to "be a company that leads the global solution of societal challenges by creating innovative value propositions and technology for the air and environment and gaining the trust of all stakeholders."

Daikin Turkey initiated the Sustainability Management System project by succeeding an important project during 2021 and examined all policies related to

sustainability and gathered them under the umbrella of 'Sustainability Policy.' Daikin, as the leading company in the air conditioning sector with a focus on "air", is enormously sensitive to climate change and the environmental factors that cause it. In this respect, Daikin's one of the highest priorities in the sustainability focus areas is climate change. The Company adopts a sensitive approach to have a minimum impact on the environment in its production processes and produces products that protect the and improve air quality by reducing the environmental impact of its products.

As in all its activities, aiming to be the leader of its sector in the field of sustainability, Daikin Turkey has established a sustainability governance structure that reports to the CEO in order to manage sustainability issues and for their effective monitoring and continuous improvement within the company.

CLIMATE RELATED ENGAGEMENT

Daikin Turkey is engaged with its value chain on climate-related issues, as well as in activities that could either directly or indirectly influence public policy on the same topic. The company has purchasing procedures in place and all purchasing transactions are carried out within the framework of the principles set out in these procedures. Supplier company information and evaluation form, which includes topics related to sustainability, is used for supplier selections. Daikin Turkey has recently prepared a Supply Chain Policy, including sustainability, climate-related criteria in all its purchasing operations.

On the other hand, Daikin Turkey supported the Ministry of Environment and Urbanization during the legislation period of Turkish Waste Electrical and Electronic Equipment Control Regulation and Turkish Fluorocarbon Gas Regulation which were

published in 2012 and 2018, respectively. Daikin Turkey also supported the Ministry of Industry and Technology during the legislation period of Turkish Energy Labelling Framework Regulation and Communiqué on Energy Labeling of Cooling Devices.

Moreover, Daikin Turkey is on the board of some trade associations and sponsors beyond membership such as TOBB (The Union of Chambers and Commodity Exchanges of Turkey) - Turkey Climate Control Council, ISIB (Turkish HVAC&R Exporters Association), DOSIDER (Natural Gas Equipment Manufacturers and Businessmen Association), ISKAV (Heating, Cooling, Air-Conditioning Research and Education Foundation), ISKID (Air Conditioning and Refrigeration Manufacturer's Association), and **ÇEDBİK** (Turkish Green Building Council).



Daikin Turkey Governance of Climate Related **Risks and Opportunities**

Daikin Turkey Sustainability Committee was founded in 2021 to better conduct and systematically report the company's sustainability efforts.

The Sustainability Committee is responsible for identifying potential resource and energy efficiency projects for products and services including climate-related concerns. Another responsibility of Sustainability Committee is notifying the Executive Board for investment areas. The committee is chaired by the CEO.

Daikin Turkey's Environment Working Group which is formed under the Sustainability Governance Structure assesses and manages climate-related risks and opportunities within Daikin Turkey and works under the Sustainability Committee.

Chaired by the Green Energy and Environment Department Representative, the Environment Working Group is responsible for carrying out studies on environmental issues, climate change strategy, risks and opportunities, development of effective emission management practices, integrated waste management, energy efficiency, biodiversity, and effective management of chemicals. On the other hand, the Risk Management and Compliance Working Group is responsible for the assessment and management of sustainability and climate-related risks and carries out its activities in this direction.





The management of the processes related to climate It ensures compliance and coordination of Daikin change and environmental impacts is carried out Turkey's strategies with Daikin Europe N.V by the Green Energy and Environment Department Environmental Research Center (ERC). It carries out and is regularly reported to the senior management. daily operations on sustainability, environment and Related departments continue their activities within climate-related issues within the organization. the framework of compliance with national and international legislation and standards.

** Sustainability Manager working in the Sustainability Section is responsible for ensuring the coordination between the committees and working groups as well as monitoring the activities.

SUSTAINABILITY COMMITTEE

CHAIRMAN OF THE COMMITTEE

SECRETARIAT

COMMITTEE MEMBERS

ESG Sales Deputy General Manager

CORPORATE SOCIAL RESPONSIBILITY WORKING GROUP

INNOVATION AND DIGITALIZATION WORKING GROUP

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Daikin Turkey Climate Change Strategy

The Paris Agreement, which came into force in 2015, aims to reduce greenhouse gas emissions to net zero by the latter half of this century and to reduce global climate change well below 2°C compared to preindustrial period. Built on the requirements of the Paris Agreement, the Daikin **Environmental Vision 2050** aims to reduce greenhouse gas emissions to net zero by 2050.



Daikin Turkey decided to support the Paris Agreement and then developed a strategy called Environmental Vision 2050. The Environmental Vision 2050 aims to reduce Daikin Global GHG emissions to net zero by 2050. This aim has been presented as an issue in the latter-half three-year plan for the strategic management plan Fusion 20 in April 2018. The goals of Daikin - Environmental Vision 2050 are given below;

- Life cycle greenhouse gas emissions of company's product groups will be reduced to net zero.
- It is committed to creating solutions that connect society and its customers as company work together with its stakeholders to reduce its greenhouse gas emissions to net zero.
- While developing solutions to global environmental problems with its Internet of Things (IoT), Artificial Intelligence (AI) and transparent innovation applications, Daikin Turkey will provide the air solutions that the world needs through safe and healthy air environments.

THROUGH SOLUTIONS

a safe, healthy air environment while trying to decrease our greenhouse gas emissions to

Open Innovation IoT and P

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Power of Air



Climate change is an issue that could affect considerably the business of Daikin Turkey, whose core business is air conditioning. Its core business has also an impact on climate change. Air-conditioning products help prevent situations that may occur due to extreme heat and cold and that may adversely affect human health, and contribute to economic development by increasing labor productivity by improving air quality. With the increase in global temperatures due to climate change in recent years, air conditioning products have become an important part of infrastructures that support societies. These products, whose use is becoming more and more widespread, cause an increase in electricity use and affect climate change.

On the other hand, Daikin keeps these effects that cause global warming to a minimum with the technology and refrigerants it has developed.

As a result, we believe that Daikin Turkey's operations may have a significant impact on climate change, and that climate change may have a significant impact on the Company. One of the Daikin's social duties is climate-related issues. As Daikin Turkey, we work hardly to reduce the greenhouse gases that could arise from our facilities and that we create through our products, in line with our Fusion 25 (F-25) strategy. With the Sustainability Policy created in this direction and the Climate Change Statement published within it, Daikin Turkey's approach to combating and adapting to climate change has been shared with the public.

AS PART OF OUR CLIMATE CHANGE STATEMENT, WE ARE COMMITTED TO:

- Give number one priority to ensuring sustainable development and fighting against climate change in all our activities,
- Develop environmentally-friendly products and services with high energy efficiency,
- Take necessary action to generate less green gas emissions during production and use of our products,
- Increase our investments in renewable energy,
- Integrate the climate-change policies applied at the global scale into our work processes,
- Cooperate with national and international institutions and organizations under the scope of fight against climate change.

Climate Related Risks

As Daikin Turkey, we define risks which have a substantive impact by focusing on their effects on our future sales and profits, including procurement of raw materials and components, manufacturing, and sales. One of the most notable influences is a considerable impact in sales and profits as a result of tighter environmental laws, such as refrigerant, energy efficiency, and CO₂ emission reduction.

In line with TCFD recommendations, we have categorized our climate-related risks into two:

Risk Time Horizons	Years
Short-term	3 years and less
Medium-term	3 to 10
Long-term	10 years and mor

Transition Risks Physical Risks

Within our corporate risk management approach, we conduct our risk assessment's time horizon based on annual plans, mid-term management plans and Daikin Global Environmental Vision 2050. Identified risks are classified according to their realization probabilities according to the following time intervals.

Description

Align with reviews of annual plan and midterm management plan (five-year plans are reviewed in the third years)

Align with mid-term management plan (five-year plan)

re

Long term goals are defined to align with Daikin Global Environmental Vision 2050 (until 2050) The time horizons of risks and opportunities arising from climate change, whose details are given below, will be determined as a result of the studies to be carried out in the upcoming period.

TRANSITION RISKS

Policy & Legal

Daikin Turkey is dedicated to ensuring that the safety of its customers is the highest priority. We strive to provide safe, high quality products and services by anticipating the future needs of its end users while we comply with all laws, regulations and national and international standards regarding product safety. Since air conditioning products have a high impact on global warming in terms of energy consumption and refrigerant use, the legal framework related to climate change emerges from refrigerant use and energy efficiency regulations. While acting in accordance with Daikin's environment and climate-oriented strategy, we evaluate potential legal risks within the scope of current and future legal regulations and plan the necessary preparations.

Our facilities are subject to a variety of laws and regulations, including environmental legislation. Violations of applicable laws has a potential of resulting in hefty fines, penalties, or other consequences. All current regulations related to climate risks are taken into consideration. Regulations could have an impact on the long-term viability of our air conditioning business, which is our primary source of revenue, thus regulations should be considered in our risk assessment.

Although the Regulation on Control of Industrial Air Pollution is not a legal regulation that we must comply with, we, as Daikin Turkey, monitor and report our greenhouse gas emissions on a voluntary basis and plan activities to reduce them.

In accordance with the F-Gas Regulation in the EU, fluorocarbon gases (F-gases, refrigerants) will be reduced steadily at certain rates by 2030. Turkey ratified the Kigali Amendment to the Montreal Protocol in March 2021 and committed to phase down the production and consumption of fluorinated greenhouse gases by 80 percent until 2045. A guota system to be determined for the use of refrigerant in the future may cause problems in terms of supply. However, since Daikin Turkey currently uses R-32, which has a low global warming potential, in its device, these regulations will be easily complied with. It also carries out studies for the collection and reuse of waste fluorinated gases. In this respect, gas collection devices are provided. Daikin Turkey aims to collect all waste fluorocarbon gases from the products sold. The gas collection service is planned to be extended to all services by 2025.

TRANSITION RISKS

Policy & Legal

Daikin was the first company around the world that introduced the air conditioners and heat pumps containing R-32 into the market, allowing it to be produced without a patent fee; therefore it expanded the use of this environmentally friendly gas in devices.* This refrigerant has many benefits for the environment. R-32 is highly energy efficient and allows less refrigerant to be used per CO₂ equivalent unit. R-32 does not harm the ozone layer as well, and its R-32 GWP (Global Warming Potential) is only one-third of R-410A. Compared to R-410A, R-32 provides higher energy efficiency. Therefore, it is possible to use less refrigerant when using R-32 instead of R-410. Morever, R32 is classified as lower flammability.

The old parts of all spare parts exchanged under warranty, the devices returned from the field and the scraps in the production facility are sent to the authorized company for recycling. Thus, it is aimed to reach the targets within the scope of WEEE regulation.

In summary, all legal regulations regarding climate risks are taken into account in climate-related risk assessments.

Technology

Our climate-related risk assessments always include climate-related technology threats. Studies on energy, water, and resource efficiency are undertaken on a regular basis, and appropriate expenditures are made in accordance with capacity needs.

As Daikin Turkey, we must create and commercialize innovative goods and services in a rapidly changing technological and business environment in order to remain competitive in our current and future markets and to continue to build our business. In this direction, we are working on developing more environmentally friendly products and technologies with high energy efficiency.

In 2012, the Waste Electrical and Electronic Equipment (WEEE) Control Regulation was published. Producers are responsible for covering the costs of collecting, treating, recycling, and environmentally friendly disposing of WEEE. The collection targets must be achieved by producers.

TRANSITION RISKS

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It is predicted that the air conditioning products demand will triple by 2050 since air temperatures will increase with the effect of climate change.¹

On the other hand, market risks brought upon by climate change are increasingly becoming a concern for all sectors worldwide. Market risks of air conditioning business could be occurred because of refrigerant usage. However, Daikin Turkey mostly use R-32 gases, which has an ozone depletion potential of 0, the refrigerant has only approximately 1/3 of the GWP of R-410A.

There is another risk regarding our boiler ve combi boilers product range. Boilers consumes a significant amount of natural gas. Because of this, boilers ve combi boilers have the risk of being less preferable in the future. Reduced demand for these products may cause decline in our revenues. In this scenario, we have the advantage of using greener technology like heat pumps.

Reputation

We considered reputation risks brought on by climate change in the past years. Our company has a plan to expand by delivering lowercarbon air conditioners and other products. As a result, if Daikin Turkey is unable to project a positive image regarding our attitude to the climate issue, it could cause the loss of business opportunities. To reduce these risks, Daikin Global developed the Environmental Vision 2050, which aims to achieve net-zero GHG emissions across all of our business activities by 2050, and work to meet this goal using its Action Plan. Furthermore, we will demonstrate our active approach to the climate change in our operating region and in the international arena.

PHYSICAL RISKS

Acute Physical

Climate-related risks assessed mostly include drier climate, reduced amount of precipitation quantities, increase in forest fires, lower agricultural yield, surface water exhaustion, floods, plant extinction and the spread of exotic species. Acute physical risks such as storms, flash floods and heat waves may pose direct threats to our production operations, therefore are always considered in our risk assessment procedures as part of Daikin Turkey's ISO 14001 Environmental Management System. These risks are managed through our emergency drills, emergency procedure and emergency action plans.

Daikin Turkey products are produced in one location, Daikin Turkey Hendek Production Facility. However, some products are supplied from intracompany resources. Therefore, if any cuts to production take place due to acute physical impacts of climate change, Daikin Turkey will maintain its ability to generate sales through other means while the situation in supply chain is resolved.

Chronic Physical

All environmental risks, including climate-related risks are considered during risk assessment procedures as part of Daikin Turkey's ISO 14001 Environmental Management System. Daikin Turkey's production operations are not water intensive, therefore any chronic water shortage related risks would not be very impactful to our operations.

Climate Related Opportunities

PRODUCTS AND SERVICES

Our products have significant impacts on climate change due to their energy consumption and use of fluorocarbons that are greenhouse gases. It is expected that regulations on refrigerants and energy efficiency would be tightened due to growing public interest in climate change. This might have large impacts on our business and brings us both risks and opportunities.

Daikin heat pumps offer economical heating of residential and commercial settings and heat pumps can also provide a total solution for domestic heating and hot water supply. Connecting solar collectors to the heat pump system further increases efficiency and savings. As a market leader in heat pumps, Daikin, committed to becoming a carbon-neutral company globally by 2050. In this context, the Company supports the "Fit for 55" package released by the European Commission that serves as a roadmap for reducing greenhouse gas emissions. The package encourages the use of renewable and less environmentally friendly systems than fossil fuels in both private and public buildings. In this direction, it is expected the potential of heat pumps to be revealed and the demand will increase significantly in the near future.

In light of these risks, Daikin Turkey focuses on energy efficient products with lower GWP values. Daikin Turkey produces and sells products with R-32, which has lower GWP (1/3rd) than its competitors like R-410A. Daikin Turkey's Project team also visits past clients in order to retrofit their equipment with newer, more energy efficient and lower environmental impact Daikin products. During these visits, information is provided on energy efficient devices with lower environmental impact and with the latest technology, thus widespread use of these devices is ensured.

Daikin Turkey contributes to Turkey's largest 'Green Building' projects with consultancy services and environmental products. For example, the Selenium Retro project was awarded the "Gold" certificate by collecting 60 points as a result of the evaluation of the LEED certification criteria. Daikin Turkey played an active role in getting the highest scores in the air conditioning criteria of the building by providing consultancy on device selection and placement throughout the project design process. For the sustainability of high-efficiency

PRODUCTS AND SERVICES

HVAC and building automation systems, VRV (Variable Refrigerant Volume) inventor Daikin was chosen as the solution partner for the project. Daikin took part in this project with its products such as Daikin patented VRT (Variable Refrigerant Temperature) technology, I-Touch Manager building management system, DC fan motor that maximizes the energy efficiency of indoor units, and 360° air blowing in circular flow cassette type indoor units. Emaar Square, Torun Tower, NEF09 and Akasya Shopping Mall & Residence, Acıbadem University Faculty of Medicine, Marmara Park AVM, Akbatı AVM & Residence which have successfully passed the LEED and BREEAM certification process, relied on Daikin Turkey's expertise and solutions.

INVESTMENT IN R&D

It is expected that regulations on greenhouse gas-emitting refrigerants and energy efficiency would be tightened due to growing public interest in climate change. This might have a large impact on our business and bring us both risks and opportunities. Daikin Turkey has a certified R&D center, which had a 17.3 million TL budget for the 2020 fiscal year. In FY20, 3 new projects started and 3 ongoing projects were successfully completed. Currently, 15 projects are in progress and 25 projects have been completed since the 2016.

Daikin Turkey made the most amount of investment in production of split air conditioners in 2020 in Turkey and all other investments still continue. Daikin Turkey commissioned new indoor and outdoor unit assembly and press lines, and made investments in R&D laboratories, especially split air conditioners, as well as reverberation free rooms and enthalpy test rooms.

With the investment in VRV (Multi-Split Type Air Conditioners) production, R&D projects were carried out to launch Turkey's first R-32 VRV to the market in 2021. New product and service development and commercialization necessitate a large investment of resources as well as a foresight into the impact of new technology.

Having internalized the climate targets set out within the scope of the European Green Deal, Daikin Turkey R&D center, acting under DENV in line with Daikin Global's strategies, carries out studies on the use of hydrogen fuel, which can be a more environmentally friendly solution instead of products burning natural gas.

ENERGY SOURCE

Operational climate-related targets of Daikin Turkey include achieving the highest level of energy efficiency in the production processes as well as lowering the negative impacts of its products. As Daikin Turkey, our main goal is to develop technological products both environmentally friendly and highly energy efficient. In accordance with this purpose, the radiator production process which causes high consumption in terms of water and energy was shut down and investment was made in VRV production. By stopping the radiator production process, the emission reduction of 4,749 tCO₂e was achieved. Daikin Turkey carries out projects to use renewable resources to reduce the energy consumption from its own operations. One of the most important projects undertaken was the rooftop solar energy project installed commissioned in 2020.

The 5.784 kWp solar rooftop PV system's which became operational in July 2020 covered approximately 90% of the electricity need of the factory 1 year after start-up. In addition to efficiency investments, 5,422 GJ of renewable energy production resulted in a large reduction of Scope 2 emissions in FY2020 (more than 3 times lower than FY19).

Daikin Turkey plans to establish an energy SCADA (Supervisory Control and Data Acquisition) system to monitor energy consumption in order to identify energy losses and to create industrial solutions against these losses. Circulation pumps are regularly tested and inefficient pumps are replaced. All lighting equipment were replaced with LED lighting.

An energy audit was conducted at the Hendek Production Facility. The energy audit included energy consuming systems such as boilers, air conditioning and ventilation systems, cooling equipment. In addition to this, energy, water, natural gas consumptions and greenhouse gas emissions were also analyzed. In accordance with results, productivity projects are listed. Energy consumption has been reduced by 53.6% compared to the previous year. The reasons for this reduction are energy efficiency projects, radiator production divestment and the impacts of Covid-19.

Scenario Analysis and Resilience

As Daikin Turkey, we believe that climate change will affect our operations to a varying degree in terms of both physical and transition risks. In the short to medium term, the main climate related risks that we will face would be transition risks, notably legislative risks whose impacts will significantly vary in line with new and updated legislations' timeline and their alignment with Paris Agreement. Physical risks, whose effects are being felt as of today, will present a higher risk in the upcoming decades.

Continuing its Environmental Vision 2050 integration activities, Daikin Turkey, closely follows



the 4 °C and 2 °C global warming scenarios carried through Daikin Global by accepting the International Energy Agency (IEA) scenarios as reference.

We are currently in process of integration of our Environmental Vision 2050. In order to better respond to emerging climate-related risks and ensure the resilience of our strategy to climate change, we are planning to conduct climate-related scenario analysis. Climate-related scenario analysis are amongst our goals in the near future.

Daikin Turkey Climate Risks Management

In Daikin Turkey, possible risks are controlled by risk mapping studies that are carried out to minimize their potential effects.

Climate-related risks and opportunities can originate from the shift to a low carbon economy, including climate-related policy and increased legislative restrictions, advancement in technology, market shifts and changes in company's perception from the society as well as physical risk such as acute abnormal weather events and chronic temperature fluctuations. Daikin Turkey categorizes climate-related risks in two categories: "transition risks" and "physical risks".

In Daikin Turkey, possible risks are controlled by risk mapping studies that are carried out to minimize their potential effects. We conduct PESTLE Analysis (Political, Economic, Social, Technological, Legal and Environmental issues), Stakeholder Analysis, SWOT Analysis within the scope of general strategy studies. Strategic focuses were determined in line with the risks and opportunities identified as a result 31

of these analyses. The completed risk mapping study is reported to the CEO in order to take the necessary actions. All environmental risks, including climaterelated ones are managed as part of ISO 14001 certified Environmental Management System in Hendek Production Facility. Daikin has an Assessing Environmental Impact Analysis Evaluation Form. Facilities that are assigned high risk classification such as resource consumption, greenhouse gas emissions, waste and wastewater management are monitored through annual goals and targets and monitoring management programs. Identified and continously monitored risks are reported to CEO and top management at least once a year to provide information.

Metrics

Daikin manages the progress of its environmental activities including climate change related actions by following Environmental Vision 2050 in Fusion 25 Strategic Management Plan and formulating an environmental action plan in conjunction with Fusion Strategic Management Plan.

Daikin Turkey follows and reports the following emissions; direct (Scope 1) greenhouse gas emissions from fossil fuel consumption for its operations, indirect (Scope 2) emissions from

BEST PRACTICE

Turkey's first air conditioner with R-32 was launched in the market by Daikin Turkey in 2015. Since then, 1,896 service personnel have received theoretical and practical training on the correct use of R-32 within the basic cooling and split air conditioning. 50 dealers were visited by Daikin Turkey to provide information about R-32 and climate change awareness was conveyed between 2017 and 2019. Since 2017, 17 different universities located in various regions were visited, seminars were organized about R-32. These activities are planned to continue increasingly.

Scope 1 and Scope 2 greenhouse gas emissions in fiscal year 2020 were reduced by 63% thanks to the contribution of the solar energy project.

As part of its ambition to become an environmentally friendly company, Daikin Turkey has been investing in renewable energy sources. Daikin Turkey's Hendek Production Facility now generates almost all of its energy needs through renewable solar power.

Daikin Turkey is continuously working to reduce greenhouse gas emissions not only arising from its own operations but also from its own products where it has the highest potential impact. In accordance with this purpose, studies are carried out to reduce the energy consumption of products,

Daikin Turkey Climate-Related Metrics and Targets

purchased electricity, and other indirect emissions (Scope 3) from purchased products and services, energy indirect activities, business trips, commuting and the use of products it sells.

Daikin Turkey is well aware of the fact that preventing greenhouse gas emissions is an important responsibility of a company must take. In order to fulfill this responsibility, Daikin Turkey shows significant efforts and sets an example with its best practices in HVAC industry.

as well as to reduce the effects of refrigerants that have high global warming potential (Scope 3).

Daikin helps to reduce carbon emissions from combi products with "NDJ", the world's smallest combi boiler with high efficiency, as well as "Condense", the semi-condensing combi boiler.

Daikin Turkey has been using the methodology of IPCC Guidelines for National Greenhouse Gas Inventories (2006), ISO 14064-1, and The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard in order to collect activity data and calculate its greenhouse gas emissions.

ENVIRONMENTAL PERFORMANCE INDICATORS

ENERGY AND ENVIRONMENTAL PERFORMANCE	FY18	FY19	FY20
Emission intensity by production (tCO ₂ e/1000EUR)	0.081	0.055	0.016
Energy consumption from non-renewable sources (GJ)	66,402	62,374	32,504
Purchased electricity (GJ)	47,402	46,878	12,811
Energy consumption from renewable sources (GJ)	-	-	5,422

GREENHOUSE GAS EMISSIONS (TCO ₂ E)	FY18	FY19	FY20
Scope 1 (Direct)	3,940	3,732	2,002
Scope 2 (Indirect – Energy)	6,113	6,046	1,652
Total of Scope 1 and Scope 2	10,053	9,778	3,654
Scope 3 (Indirect - Other)	-	-	10,419,843

Daikin Turkey's greenhouse gas emissions includes non-renewable fuel consumption for heating and electricity production of operations in Turkey and direct emissions (Scope 1), energy indirect emissions from the production of purchased electricity (Scope 2) and other indirect emissions (Scope 3) of purchased products and services, energy related activities, business trips and services as well as the use of sold products by Daikin Turkey.

WATER CONSUMPTION (m ³)	FY18	FY19	FY20
Mains withdrawn	15,359	14,738	14,525
Groundwater withdrawn	126,900	109,500	70,200
Wastewater discharge (municipality wastewater treatment)	128,033	112,158	76,515
Water consumption	14,226	12,080	8,210

Targets

At Daikin Global, concrete environmental targets are set for 5-year periods and measures are taken towards these targets. In this context, the key performance indicators are specific consumption and production numbers (per thousand EUR) such as;

- tons of carbon dioxide emissions (tCO₂/1000 EUR),
- waste generated (tons/1000 EUR),
- water consumption (m³/1000 EUR),
- kilogram volatile organic carbon (VOC) (kg/1000 EUR)

Until the end of the fiscal year 2030, the Company aims at reduction of at least 15% in each performance indicator. Daikin Turkey, which structures all its production processes according to energy efficiency and savings criteria with the aim of reducing its carbon footprint strategically

Year target was set
Target coverage
Scope(s) (or Scope 3 category)
Intensity metric
Base year
Intensity figure in base year (metric tons CO ₂ e per unit of activity)

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

and systematically, has won the Green Heart Factory Certificate for its Hendek Production Facility. Since Daikin has the perspective of becoming an environmentally friendly company, Hendek Production Facility in Sakarya has ISO 14001 Environmental Management System (EMS) Certificate and all environmental processes are managed through the environmental management system and environmental management unit. Every year, the EMS is audited and documented by accredited organizations and this resulted in monitoring and improving environmental performance and EMS regularly. Moreover, the environmental management unit reports to the factory management and Daikin Global monthly, quarterly and annually.

Daikin Turkey Hendek Production facility has a 15% GHG intensity ($tCO_2/kEUR$) reduction target by 2030. The target was set in 2015 with 1% linear reduction goal each year.

2016
Site / facility
Scope 1+2 (location-based)
Metric tons CO ₂ e per unit revenue
2015
0.158
86%

As a result of the intense efforts of Daikin Turkey, significant changes have occurred in its carbon emissions as below:

	Change in emissions (metric tons CO ₂ e)	Direction of change (Compared to Scope 1+2 of FY19)	Emissions change rate (Compared to Scope 1+2 of FY19) (%)	Please explain calculation
Change in renewable energy consumption	933.4	Decreased	9.55%	We installed a rooftop solar PV system to produce renewable energy. In FY20, 1,506 MWh of our electricity demand was met through this system, resulting in an emission reduction of 933.4 tCO ₂ e. Our FY19 Scope 1 and Scope 2 emissions were 3,732 and 6,046 tCO ₂ e respectively.
LED Transformation Project	200.6	Decreased	2.05%	LED transformation project resulted in a reduction of 200.6 tCO ₂ e in 2020.
Radiator Production Divestment	4,749.2	Decreased	48.57%	The radiator production process, which causes high consumption in terms of water, electricity and natural gas was shut down.
Other emission reduction activities	240.8	Decreased	2.46%	Most of the decrease in emissions came from the decommissioning of radiator production line in FY20. As a result, our Scope 1+Scope 2 emissions were 6,124 tCO ₂ e less than FY19. Apart from for renewable energy generation, radiator production divestment and Led transformation projects, 240.8 tCO ₂ e emission reduction were achieved in fiscal year 2020.

Daikin TCFD Table of Disclosures

TCFD RECOMMENDATION			REL	RELATED SECTION	
			Page #	Section Name	
Governance	а	Describe the organization's governance around climate-related risks and opportunities.	16	Daikin Turkey Climate Change Strategy	
	b	Describe the management's role in assessing and managing climate-related risks and opportunities.	16	Daikin Turkey Climate Change Strategy	
Strategy	а	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	21 26	Climate Related Risks Climate Related Opportunities	
	b	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	21 26	Climate Related Risks Climate Related Opportunities	
	c	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	29	Scenario Analysis and Resilience	
Risk Management	а	Describe the organization's processes for identifying and assessing climate-related risks.	21 26	Climate Related Risks Climate Related Opportunities	
	b	Describe the organization's processes for managing climate-related risks.	30	Climate Risk Management	
	c	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	30	Climate Risk Management	
Metrics and Targets	а	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	32	Climate Related Metrics and Targets	
	b	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	32	Climate Related Metrics and Targets	
	c	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	32	Climate Related Metrics and Targets	

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