



## 2023 FIGHTING FORCED LABOUR AND CHILD LABOUR REPORT

For the fiscal year-ending March 31, 2024

### 1. Introduction

This Report is filed pursuant to Section 11 of Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Supply Chains Act**” or the “**Act**”) for the twelve-month fiscal year ending March 31, 2024 (the “**Reporting Period**”).

This Report is jointly filed on behalf of the following entities: (i) Daikin Applied Americas, Inc. (“**Daikin Applied**”), (ii) Daikin Comfort Technologies Canada, U.L.C. (“**Daikin Canada**”), and (iii) Goodman Canada, L.L.C. (“**Goodman Canada**,” and together with Daikin Applied and Daikin Canada are collectively referred to in this Report as the “**Daikin North America Entities**,” “**we**” or “**our**”). The Daikin North America Entities are indirect subsidiaries and group members of Daikin Industries, Ltd., a Japanese limited company headquartered in Osaka, Japan (“**DIL**”, and together with the Daikin North America Entities and DIL’s other group companies, “**Daikin**”).

This Report sets forth the steps the Daikin North America Entities have taken during the Reporting Period to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere or of goods imported into Canada.

### 2. Structure, Activities and Supply Chains

Daikin Applied designs, manufactures, and sells heating, ventilation, and air conditioning (“**HVAC**”) products, and parts, and provides services for commercial buildings. Daikin Applied is a Delaware, United States corporation headquartered in Plymouth, Minnesota, United States with manufacturing facilities located in the United States and Latin America. Daikin Applied imports its products into Canada. Daikin Applied is also the sole owner of Daikin Applied Canada Inc., a Quebec corporation providing HVAC services and parts for the Canadian market in the key cities of Toronto, Ottawa, Montreal, Quebec City, Vancouver and Calgary.

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Daikin Canada imports Daikin, Goodman, and Amana® branded HVAC equipment that is sold throughout Canada. Daikin Canada is a Nova Scotia unlimited liability company with headquarters located in Vaughan, Ontario. The equipment sold by Daikin Canada is largely manufactured by Daikin Manufacturing (defined below).

Goodman Canada, a Delaware, United States limited liability company, wholly owns Daikin Canada. Goodman Canada is wholly owned by Daikin Comfort Technologies Manufacturing, L.P. (“**Daikin Manufacturing**”), a Texas, United States limited partnership, whose general partner is Goodman Holding Company, a Texas, United States corporation.

The Daikin North America Entities source materials, equipment, and components from a network of suppliers located in North America and abroad for use in connection with the manufacturing and importation of residential, commercial, and industrial HVAC systems and components.

### **3. Policies and Due Diligence Processes**

#### ***Global Sustainability Report***

As a leading indoor comfort solutions provider, Daikin aims to promote respect for human rights within its supply chain and conduct business consistent with the ethical standards established by its company policies and guidelines. DIL publishes its annual Sustainability Report detailing its philosophy and highlighting actions undertaken by Daikin towards achieving its Environmental, Social, and Governance commitments. One of the areas covered by the Sustainability Report pertains to DIL’s global initiatives to promote respect for human rights across its entire value chain. For additional information, please use the following link to access the 2023 Global Sustainability Report: [2023 Global Sustainability Report<sup>1</sup>](#)

#### ***Group Conduct Guidelines***

DIL adopted the Daikin Group Conduct Guidelines (“**Group Conduct Guidelines**”) that define its fundamental corporate ethics and compliance principles. With respect to forced labour and child labour, Daikin’s key Group Conduct Guidelines state that “[w]e shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person’s will (forced labor).”

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<sup>1</sup> <https://www.northamerica-daikin.com/our-impact/past-sustainability-reports>

The Group Conduct Guidelines further provide that Daikin “shall promote the understanding and cooperation of our suppliers to strive together in legal compliance, respect for human rights, preservation of the environment, and contribution to the development of a sustainable society.”

### ***Daikin Group Human Rights Policy***

DIL established the [Daikin Group Human Rights Policy](#)<sup>2</sup> for its group companies, including the Daikin North America Entities, based on an understanding of all international norms on human rights along with laws and regulations of each country and region. The Daikin Group Human Rights Policy contains the expectations for employees and supply chain partners regarding respect for human rights and compliance with laws and regulations in the countries and regions in which we operate.

### ***Daikin Supply Chain CSR Promotion Guidelines***

To further advance principles with respect to socially responsible procurement within Daikin’s supply chain, DIL also formulated [Supply Chain CSR Promotion Guidelines](#)<sup>3</sup>. As set forth in the 2023 Global Sustainability Report, “in addition to standard requirements such as proper management and abidance with laws and regulations, the [Supply Chain CSR Promotion Guidelines] urge suppliers to strive to be better in many aspects of [corporate social responsibility (“CSR”)],” including forced labour and child labour.

### ***Code of Conduct***

The Daikin North America Entities, and their directors, officers, and employees, are governed by the codes of business conduct & ethics (“**Code of Conduct**”). The Code of Conduct sets forth legal and ethical guidelines, which promote the conduct of our business in an ethical, socially responsible, and safe manner, and in compliance with all applicable laws and regulations. In our daily activities and dealings with others, the Code of Conduct sets the standards of acting with integrity and honesty, treating people fairly, respecting diversity, and accepting accountability.

Employees at the Daikin North America Entities have a responsibility to report known and suspected violations of the Code of Conduct. Our employees have several avenues to report any issues they may encounter, including on a confidential basis, such as communications with supervisors, access to human resource representatives, and the use of Daikin’s internal ethics and business conduct reporting hotline and website. These available tools provide employees with the

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<sup>2</sup> [https://www.daikin.com/-/media/Project/Daikin/daikin\\_com/csr/new/pdf/social/humanrights\\_policy-pdf.pdf?rev=-1&hash=C0CB96E03B88C006A92060E8302F5885](https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/new/pdf/social/humanrights_policy-pdf.pdf?rev=-1&hash=C0CB96E03B88C006A92060E8302F5885)

<sup>3</sup> [https://www.daikin.com/csr/social/supplychain\\_gl](https://www.daikin.com/csr/social/supplychain_gl)

means to fulfill their duty to report situations that they believe may be inconsistent with the Code of Conduct or other company policies.

### ***Supplier Code of Conduct***

Daikin Applied has also adopted a Supplier Code of Conduct, which details its expectations and requirements for suppliers to act and operate in full compliance with applicable laws and regulations in which suppliers operate and deliver products. The Supplier Code of Conduct encourages suppliers to go above and beyond legal compliance, aiming to achieve internally recognized standards to advance social and environmental responsibility and business ethics, including taking appropriate measures to eliminate forced labour, human trafficking, and all forms of modern slavery. The Supplier Code of Conduct further sets the expectation that Daikin Applied's suppliers take steps to ensure that third parties engaged for the purpose of fulfilling contractual obligations, also comply and are held accountable to the principles contained in the Supplier Code of Conduct.

## **4. Due Diligence Efforts to Mitigate Risk of Forced Labor or Child Labor**

As set forth in the 2023 Global Sustainability Report, Daikin recognizes that issues of forced labour and child labour within the supply chain are among the risks facing the business. The Daikin North America Entities have identified these risks to the best of our knowledge and will continue to strive to identify emerging risks with respect to human rights issues.

As part of Daikin's efforts to promote responsible procurement and mitigate the risk of forced labour and child labour within our supply chain, Daikin urges suppliers to uphold similar principles with respect to human rights and comply with all laws and regulations as part of the Supply Chain CSR Promotion Guidelines.

When contracting with third party suppliers, Daikin Applied's and Daikin Manufacturing's standard supplier agreements and purchase orders generally contain terms and conditions to help identify risks that a supplier may be out of compliance with applicable laws and regulations and that the goods being supplied were produced using forced labour or child labour by the supplier.

Daikin Applied and Daikin Manufacturing have also conducted CSR questionnaires focusing on direct Tier 1 suppliers to evaluate suppliers according to Daikin's own standards with respect to a range of CSR issues, including forced labour and child labour, and to recommend improvements or provides guidance where needed. In order to mitigate the risk of forced labour and child labour within the supply chain, Daikin Applied and Daikin Manufacturing engage in ongoing monitoring of suppliers and evaluate their efforts with respect to issues relating to human rights.

### ***Forward Looking Information***

Starting in fiscal year 2024, Daikin Applied and Daikin Manufacturing began working with a third-party consultant to further improve their ongoing efforts with respect to the promotion of human rights and responsible procurement within their supply chain. We believe that these steps will assist in their efforts to refine supplier monitoring and assessments with respect to the issues around forced labour and child labour.

### **5. Assessing Risks**

The Daikin North America Entities' efforts to assess and manage the risk of forced labour and child labour in our supply chain primarily focus on direct Tier 1 suppliers. While none of the Daikin North America Entities have identified any instances of forced labour or child labour within its supply chain during the Reporting Period, we understand that the risk in these areas most likely arises from the following factors:

- The sector or industry in which Daikin North America Entities operate (manufacturing);
- The type of products sourced for use in our products and supply chain; and
- Tier 2, Tier 3 and suppliers further down the supply chain.

Respect for human rights is a fundamental aspect of Daikin's policies and guidelines for the responsible operation of the business and the sourcing of materials. We plan to continue improving our supplier programs to promote our policies regarding respect for human rights throughout our supply chain and will strive to identify emerging risks.

### **6. Remediation Measures**

During the Reporting Period, none of the Daikin North America Entities identified any incidents of forced labour or child labour in its operations or supply chain. As a result, we did not undertake any measures to remediate forced labour or child labour, including measures to remediate the loss of income to vulnerable families that results from the elimination of forced labour or child labour in our supply chain.

### **7. Training**

As part of the onboarding process, new employees of the Daikin North America Entities receive a copy of the Code of Conduct in connection with the employee handbook. To improve the understanding of the requirements of the Code of Conduct, we provide training to employees on the various areas in the Code of Conduct.

## **8. Assessing Our Effectiveness**

Through Daikin’s policies and guidelines, the Daikin North America Entities endeavor to promote responsible procurement and respect for human rights within our company and supply chain. To assess these efforts, Daikin Applied and Daikin Manufacturing have engaged in a regular review of policies and procedures related to forced labour and child labour. Daikin Applied and Daikin Manufacturing have also reviewed supplier responses received in connection with CSR questionnaires to assess actions to address the risk of forced labour and child labour within their overall supply chain.

As set forth in the 2023 Global Sustainability Report, Daikin recognizes that “[b]usiness activities that respect human rights represent one vital element of a company’s social responsibility.” Accordingly, we will continue our ongoing efforts to reduce the risk that forced labour or child labour is used in any part of our supply chain and will work to identify emerging risks that affect our business and the countries and regions in which we operate.

## **9. Approval and Attestation**

This Report was approved pursuant to subparagraphs 11(4)(b)(i) and (b)(ii) of the Act on May 24, 2024. The attestation and signatures of the members of the approving governing bodies are located on the following page of this Report.

[Signature page to continue on next page]

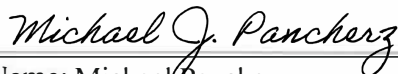
In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind Daikin Applied Americas, Inc.



Name: *Hirokazu Hirao*  
Title: Board Member, Daikin Applied Americas, Inc.  
Date: May 20, 2024

I have the authority to bind Daikin Comfort Technologies Canada, U.L.C. and Goodman Canada, L.L.C.



Name: Michael Pancherz  
Title: Assistant Secretary, Goodman Holding Company  
Date: May 24, 2024