



What is the European Works Council (EWC)?

On 12th June 2024, 50 people from across the business gathered to the 38th European Works Council meeting. The Daikin EWC is a social consultation body on European level, which represents in principle all employees and management of all countries in the European Economic Area. As such, the Daikin EWC is a joint committee with employer representatives and employee representatives.

What is the goal of the EWC?

Through all these years, the EWC meeting has proved to be a good platform to exchange information on a European scale and to engage in constructive discussions about different topics. During this meeting, employers and employees from Daikin Europe NV, DMGG, Daikin Industries Czech Republic, Daikin Device Czech Republic, Daikin Chemicals Europe, Daikin Applied Europe, AAF Europe and J&E Hall discussed their achievements and progresses in F23.

What is the goal of this brief report?

The Daikin Europe Group wants to inform all employees of the topics that were discussed on the EWC.

Question

We know the market is very complicated. The sales outcome is very difficult compared to the objectives. Can you explain your vision on how can we get to an increase of 20% with a very difficult market situation?

Answer

The budget 24 shows 5.9 billion, which shows 20% more growth than last year. The trend of the jumping market demand does not seem to recover that soon.

Unfortunately, we cannot just rely on the external business environment from that process. In that sense, as we explained since fiscal year 23, fourth quarter, thanks to our colleagues, especially sales or internal sales in each affiliate to enhance their sales from the visit to information about our project or even daily cost of ordering. Then we try to take the order from those inquiries so that we can deliver the unit. The result of delivery becomes our result to be close to our budget. We would like to say how to achieve those targets even when 20% higher, because we calculate the back casting method, which we normally try in Fusion 25 from the target budget, we take the deliveries from that point, how many outstanding order intake we should take, or how many levels of outstanding order we should keep before every month so that we have to take more quotations. In order to do that, we have increased the budget. Unfortunately, up until the last two years, and due to market demand in 2022 and our production capacity, we couldn't meet all orders.

The competition also improved their production capacity, enhancing their action plan. We now really need to compete action by action.

Answer

The market will not grow so we have to take market share. And of course, the story is a little bit different per SBU.

An example was given of one local organisation. Last year sales in our organisation was minus 20% because on 16 February 2023, the government decided without pre-notice to cut part of the incentives and this will continue in the future. We cannot depend on market growth. Our intention in our organisation is to grow again to stop going down. Action by action, we will have to generate growth ourselves. In April and May this year we are approximately at the same turnover as last year. The main actions are first of all visits. We increase the number of visits by our sales staff around 20%. Secondly, our biggest issue in our organisation on DX was sell out the

wholesaler channel. We set up a completely new way of direct incentives to indirect installers via an app that the indirect installer scans the unit after buying and we transfer money to his bank account. This means we don't only give incentives, but we know the complete indirect installer network.

Question

How do you organize the internal communication in order to motivate the different teams (sales people, back office people)?

Answer

The most important thing is that the people in the frontline are coached by regional management, supported by their headquarter in the affiliates, also from Daikin Europe. We had our own senior members visiting people in the offices. what we see the most when we visit offices is that we can eliminate the bottlenecks that people are facing locally, e.g. selected software is not ready, problems with products or quality issues. This is what we can do to show people on the sites that we are here to support. And second, because there are a lot of issues which could potentially inhibit us to reach the target market share. It can be price, it can be product related, or it can be people. We have to do it with promotions. The promotion budget is limited, but we invite all customers to factory tours so that it is direct contact. This is what management can do. Secondly on the recruitment, last year we recruited 1000 people and actually we have 1000 people more for lower turnover. You could say this is sufficient, but in some functions it is not. In certain functions and affiliates there is some strain on people. For the decision of replacements for direct sales functions this is possible. For indirect functions this is a case by case decision. First of all, direct salespeople can be replaced except when there is a clear local need. But not like indirect sales in Europe. There we check our improvement in the way of working. If not, they can be replaced. It's not a blind decision. But we need to discuss one by one to see if we can improve the way of working, if we can improve the tools which can be IT systems that are implemented but which should be improved. That's also why we said next year we will not do any major IT project except two, supply planning IBP and SAP integration in HD. We will foresee all resources to improve the way of working

Answer

For the second year in a row, we did an employee engagement survey in January, and we could already see the issue. Some major points were that people did not

believe that we were doing the right things to be successful in the next three years. That was a clear attention point towards leadership. At the same time, they were asking for more orientation, especially from the middle managers. And the third point was that we saw that the engagement of middle management was lower than the rest of the company. We took the initiative of organising roundtables in all of our countries and have a very open dialogue. Important is to emphasize that if we are under pressure of high targets, we can do a lot of things, also in the local organizations. With the support of our CXO Customer Experience department, we analyzed some processes in some of the countries and if you see the issues to be solved, to get better and reach better customer satisfaction, you'll actually realize that in more than 50% of the cases by simple actions, e.g. reorganizing your local communication processes, you can do a lot. And this creates confidence. And that's what it's all about, to be in every region close to the people in the frontline and to learn how we can support them to be better.

Answer

When you read the news you see many examples of companies in difficulties who apply the hard cut. This is the easiest way, because then you have the immediate drop in cost, in Daikin's philosophy, this is really the last option. We want to look for possibilities to respect our commitments towards our workforce. For the salespeople at the front line it's very important that a quick decision can be made locally to make sure that if unfortunately, one is leaving, they can be immediately replaced. For the others as well, we really don't want to cut just like this, but to respect the analysis. If it's really needed, then we need to replace the person. With regard to employee engagement, we think it's an important tool and we are checking in our HR centre of expertise what are the best possible tools. The tool is just one thing, but much more important is what will you do with it. How will you use the information to have the open discussions with employees, managers to take aligned action?

Answer

We should put the higher priority on your concerns. First comes a closer communication between management and colleagues. This is important to motivate and encourage your colleagues. This is people-centered management. The second is how to mitigate workload, how to consider the manpower and to share this with everyone.

Answer

In our country it's very challenging due to the decreased demand of the heat pump. Our sales employees are also struggling at the moment. As a first action, we had a lot of concerns from employees on the future. We visited all sales offices by top management. This message is given

by our country's top management on the market and then take action. We visited the employees, six sales offices and several branches. We asked all service and sales employees to come to these sales offices. We gathered all questions from the employees face to face. As a next step we visited all agencies, summarized all questions and had a town hall meeting.

Answer

To motivate factory colleagues, we started factory tours for 10,000 to 15,000 customers a year. They see how salespeople and customers appreciate Daikin units. This builds solidarity among manufacturing, EDC, sales and others. We are expanding factory tours and collaborating with all group organizations.

Question

When we're talking about communication, we see nice examples how it should be in reality. After consultation with the colleagues yesterday, we see that the situation is often the other way around. During a select committee meeting a few months ago, we asked to get a motivating, positive message from European management to all production sites and sales offices in Europe, but we did not receive that message notwithstanding that people on the shop floor are struggling with these concerns under enormous pressure. They need a positive motivating message from your side.

Answer

First of all, we think the most important tool for communication is to be as close as possible to the people. This is why we encourage local management to organise local communication as a basic way of working. We need to encourage such communication. Every two months we have the headquarter affiliate meeting. Tomorrow is the next one where all managing directors come together face-to-face in Brussels to be informed about the current situation with current actions. We expect them to enable the local translation of the EMEA situation. We are happy to consider sending out a positive message, but direct local communication is key to be effective, especially for blue collars. Currently, we do not have one tool to send a message to all blue collars. We will check the available options we have to share a central message complemented with local messages depending on the workforce and the location.

Question

The original budget was 6 billion. The estimated result for the financial year is far below. We estimate that the revised budget will be significantly lower than the original budget. What are the social consequences if we don't make the budget for another year?

Answer

The estimated result is information that is not shared here, it is a tool we use for our affiliates based on the current market, which is currently lower. However, we are just starting the year. We are just two months later but we are not on track. What are the social consequences if we don't reach it? We have to do everything to reach it. Every month we have the supply meeting on manufacturing adjustments that require dynamic adjustment. That's why some additional measures were taken for Daikin Europe. We cannot increase our stock like last year. In that case, there are immediate social consequences e.g. in reduction of temporary staff or recruitment stop.

Question

There is a lot of movement about market projects with a lot of price competition. We understand that 80 or 90% of public tenders must have natural components so we can't really fulfil these requirements. What is the strategy to meet these requirements in public tenders?

Answer

Today we don't have the product offer within Applied Systems to fulfil these new market requests. We had cooling with traditional refrigerants and now we have heat pumps with natural refrigerants. It is not possible to launch the product in fiscal year 24 but this is a priority for applied products.

Question

I've got a question about Fusion 30. How far have we advanced with that plan?

Answer

The official process of Fusion 30 has yet not started. We had the 100-year anniversary in Japan 3 weeks ago, and a 3-day global management meeting. One of the topics was a new group philosophy and a new PCM. The main discussion was on the main future direction. There were 12 working groups from all over the world, with around 20 people per working group. Daikin Industries is preparing for Fusion 30 but it is too soon to go into detail here.

Before considering Fusion 30, we should reflect on Fusion 25 and its successes and failures. Based on this reflection, we need to study and examine Fusion 30 and predict market competitors and other market conditions. First we should review Fusion 25 and give our best efforts to be closer to our original Fusion 25 target. This is important now. The heat pump market is slow and difficult for us to challenge the target but we cannot give up.

Answer

We would like to open again the questions and answer part question.

Question

We wanted to raise the topic of women on the workplace. We wanted to know if Daikin has a strategy in place, encouraging women to take places that are normally taken by men, and if there is a strategy to support women in these positions once promoted.

Answer

We can confirm there is a strategy, not only within Daikin Europe, but even Daikin industries, to promote and enhance diversity. Diversity is not only about gender. In Daikin Europe we have two important diversity angles: gender and nationality to also reflect the different nationalities in our group. There is a positive trend in the percentage of female managers, especially for middle and senior management level. We want to continue this trend and are currently working with our managing directors in affiliates to identify more diverse key talents. This is the starting point. Next to that, we want to make sure that more and more candidates with diverse backgrounds are participating in our development programs. We will continue to take proactive steps to promote diversity in all layers of our organization.

Question

We have a question regarding Fusion 25. We had a goal to speak more about B2C and B2B. We are quite late in this B2C approach. We would like to know if these topics are still on the table today and within Fusion 30 in the future, considering that B2C is not part of our mindset. Our colleagues are trained in B2B and not focused on the end user for our products. For the future, it's a change in mindset that has to evolve. We would like to know your strategy?

Answer

The whole end user customer journey from awareness about a HVAC product or service towards final delivery has been mapped. A lot of components have been built since five years ago. Perhaps we had 1 B2C call-center back then, now we have this in all our countries including lead management and experience centers for most of our affiliates. The customer journey is mapped with different measuring points of customer satisfaction and NPS score. There is less focus on expansion of experience centers, but we continue refining lead management with B2C contact centers. Secondly, we have around 200,000 direct Daikin work orders with our residential or commercial end user. When our technician is in direct contact with the end user, it is managed in DSM. Customer satisfaction is measured. We can improve, but we have come a long way with our people.

Answer

We have more direct contacts with end users. We have a contact centre to receive claims from end users in-house as well as experience centres. This is the approach to have direct contacts with users, to listen to requests and we have a lot of maintenance contracts with end users for Altherma and residential. For commercial & industrial, this was already in place. Last year, we had more than 5,000 direct maintenance contracts with end users. This enables end user feedback and readiness for unit replacements. We agree the end user is our real customer. We have to be there and we have to listen to them. In parallel, we need the installer to execute the installation and the sales. We were also talking about a simple plug-and-play purifier. For complex installations, we need installers with feedback from end users.

Question

Some affiliates made a decision to lower the level of cross-border sales departments. That decision does not seem to realize that those employees work in the field and spend between 15 to 25 hours in their cars, not in the offices. It's unclear why there are such differences in car policies between affiliates. Will there be a guideline on car policy from Denv towards all Dakin entities to standardize the treatment of employees regardless of the country?

Answer

Cars are part of working conditions. As Daikin Europe, it is important to have Dakin values on working conditions and to rely on the autonomy of local companies to respect Daikin principles, common practices, and country benchmarks. It also depends on the local situation as benchmarked and partly on the legal situation, for example tax treatment of cars. It is not the purpose to have one car policy or salary system. It must be fair and competitive if we compare with similar functions in the country.

Question

Our work environment has to be adjusted to the new generation of employees. More and more employees work for us within an international context. It is important for those people that they can telework from their home country which is not always possible. We would like to ask you to expand this if you really want to adjust to the new generation of employees.

Answer

That's a specific question for Daikin Europe headquarters, but we will provide a general answer. Our purpose is not to have one common policy on homework. As explained for the car policy and other working conditions with regard to homework, we are in favour if it is possible within the function. This is the general Daikin Europe policy. In some countries there is specific legislation and

the practice varies on a country per country basis. In general we are in favour and among the HR colleagues in EMEA we exchange experiences and address issues in this respect but it is not the purpose to come to one general policy.

Answer

We need to adapt to the current generation, but not specifically in terms of homework. The board's opinion is to allow for 2 days a week where this is possible. If we look at the MDs, it's more or less the same if you talk about homeworking from another country. Especially in the headquarter, where you have innovative functions and you make products together. We do not think you can do this from a distance. Of course, we should not be blind to current approaches when it comes to the issue of mobility. The lack of mobility is one of the reasons to promote homework, but it should be moderate and in line with the function. Homeworking in another country can be critical. We are not in favour because a company is an institution where people are brought together to create something. On the long term, it is not good for the health of the person if it is structural. That's why we said maximum 2 days and in principle not in another country. If you look at the labour market with the exception of consultancy or IT, our policy is in line with market conditions. We need to be careful with this tool for the employees and the company.

Question

We often hear about artificial intelligence in the media. What is Daikin's approach to such revolutionary technology for our taskforce in our organization? Some working groups have been created in this respect because it will surely impact our way of working in the future.

Answer

Someone from manufacturing could say how they use AI at this moment. On a company level, we developed an innovation team within IT, currently 3 people. We try to identify cases. Currently, we have a team of 3 or 4 people for several affiliates using AI tools. If you look at other companies, we are at the start of what is possible. We agree with you that AI can revolutionize our way of working, even more than with digitalization but you also need to look at the reality. Like we discussed for B2B, digitalization is more complex than the textbook. We have an organisation platform with a steering committee where people from different departments work together. The next 5 years, we can work more on this but we have several practical use cases.

Question

It's about quality issues. In spite of the fact that we are manufacturing less than last year, there's an increase in quality issues. More units return to the manufacturing sites compared to a year ago when we were producing

more. We also see regularly that stocks are blocked in warehouses. We have the impression that quantity takes priority over quality now.

Answer

Your comment is justified. 2023 quality levels are worse versus 2022. Most is coming from heating and development timing, but we also have issues with new products. From now on, the manufacturing side needs to watch and check with EDC for new products. We need to focus on countermeasures for these issues.

Answer

Top management in Europe recognised this as a critical issue. There are three major factors: product development, sales and organization. Salespeople can promote the right products to the right customers. Even if all three divisions give their best effort we sometimes suffer quality issues. This requires a close communication and cooperation among these three organizations: sales, EDC and the factories. That's why we first requested EDC to be more mindful of quality when developing the product. Sales is important for ownership of the quality and should be aware of the characteristics, weak points and strong points of a product in promoting that product to customers. Finally, communication and cooperation among our organizations is key to solve quality issues. Please share your quality issues and why we could not sort it out. If you know actual cases from your colleagues, let us know. If we lose credibility and trust in quality our business will collapse. Quality is the most important asset of Daikin.

Question

Yesterday when we sat together with the colleagues, we heard that takeovers are not always known by people on the shop floor.

Answer

Blue collars do not have a company PC. For them it's difficult to access that information, but white collars do have a PC. If they check their PC on a home page or company site you can easily find that information. The question is for blue collars who do not have a PC to communicate this to them. That is a concrete question, that is the issue we need to discuss.

Answer

First of all, we hope you all recognize the efforts we made towards the EWC and the Select Committee to share timely information. In case of a takeovers, the select committee is the first to receive this information at the same moment as the involved persons. This is one thing. Secondly, immediately before it's going to the press, we first make sure our top management in the EMEA organization is informed before transferring this to the local organization if there is an immediate need, otherwise they can refer to the website. Secondly, for employees of acquired companies in the same country, if linked to a particular affiliate, we are always taking care that they are well informed.

Answer

In the past we think we made a newsflash a few times per year for all affiliates and EMEA. We stopped doing that because it's not always straightforward to share local communication with international newsletters. When we send important corporate communication to managing directors, it's up to them to distribute this. We can imagine that a small local acquisition is not distributed in all countries.

Question

We were informed on the acquisition, but no communication on what should happen next. We don't know what the integration means, whether they'll be integrated into Dakin or go on as a separate company. Will their engineers be available and how does that affect the business moving forward? That's where people aren't clear about at the moment.

Answer

One question relates to the timely information for involved employees, another one about the next steps of top management. The first news on the actual acquisition is shared fast. How and whether to integrate is subject to review and investigation when the companies work together. Please be aware that from a legal perspective, communication between the acquired company and the buyer is restricted by law. This means that sharing thoughts how to move further is done after the acquisition when there is closer cooperation between both companies. This is why a lot of things need to be investigated after the acquisition. I'm confident that we share all relevant information with all employees.

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All the members are at your disposal, do not hesitate to contact them !