

Sustainability Report 2019

**BITTEN &
MADS CLAUSENS FOND**
TIL GAVN FOR DANFOSS



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About the report

The BMC Group's principal subsidiary, Danfoss A/S has been aligned with the UN Global Compact Initiatives for more than 10 years. In line with this, the Foundation seeks to relate proactively to standards and legislation to ensure the sustainable development of society.

The Foundation wishes to actively take part in sustainable global development through BMC Group's activities, where social accountability and respect for the environment and climate go hand in hand with sound business development. Therefore, it is important for the Foundation to not only respond to the issues that affect the business here and now, but to also involve trends that will affect the business challenges and opportunities in the future.

The Foundation's overall objective is for the BMC Group's companies in all circumstances to be considered sustainable, responsible and having their "own house in order". The concept sustainability unifies and balances the overall term of social, environmental and financial responsibility. The Foundation has special focus on social aspects and impact as the Foundation, through its direct local support activities and the BMC Group companies with their presence in many communities have local importance and therefore, must work for good corporate citizenship. In connection with the BMC Group's investments the Foundation requires, among other things, that individual companies comply with laws and ethical standards, etc. within the areas of human rights, labor, environment and anti-corruption in the countries and communities in which each company operates.

This Sustainability Report complements the Foundations Annual Report 2019. As the Foundation does not have independently formulated policies regarding social responsibility, an additional report on a group basis outlining the Foundation's consolidated policies, efforts and results based on the CSR report for Danfoss A/S have been prepared. The CSR report for Danfoss A/S describes essentially the activities and results that have been implemented and achieved at group level in the BMC Foundation.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Danfoss became a signatory to the UN Global Compact in 2002. We continue to support the Global Compact and its principles, which govern our sustainability efforts.

[🔗 Read more at unglobalcompact.org](https://unglobalcompact.org)

Danfoss targets **CO₂** neutrality by latest 2030

Joining the decade of action, Danfoss has set itself new ambitious targets to become CO₂ neutral by latest 2030 with a focus on energy efficiency first.

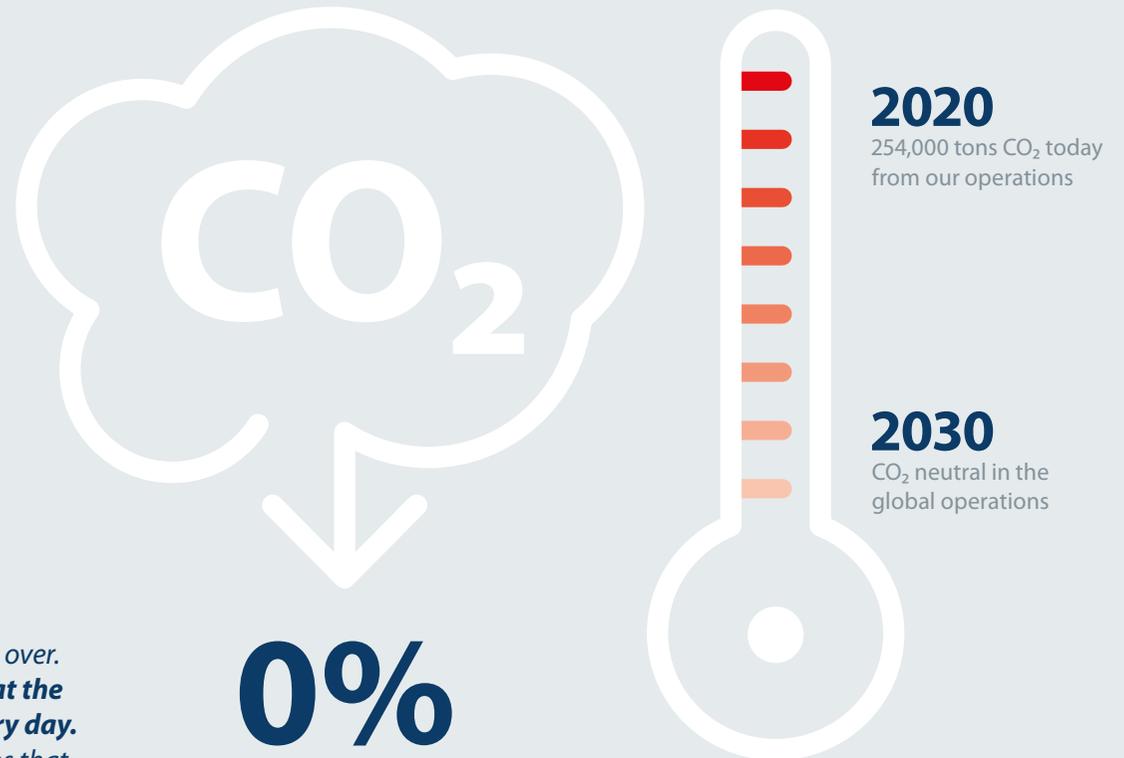
As a step towards turning our ambitious decarbonization commitment into action, Danfoss has joined the Business Ambition for 1.5°C and the group of leading companies behind the Science Based Targets initiative – because as an engineering company, we naturally believe in science to solve our biggest challenges.

Our global Energy Saving Programs has successfully lowered our global energy consumption and emissions compared to our sales. To drive these improvements even further, Danfoss has joined all three business action initiatives by The Climate Group, an international non-profit organization dedicated to accelerating climate action.

We are now working on plans to transition the company's energy consumption to renewable sources and its current company car fleet to electric vehicles by latest 2030, given that the necessary infrastructure will be in place.

*"The climate emergency is a reality – and time for talk is over. **Focusing on energy efficiency and electrification is at the very core of our business, where we take action every day.** Decarbonizing our business using cost-efficient solutions that reduce energy consumption, drive electrification and integrate renewable energy is how we take climate action to showcase that green growth is indeed possible."*

Kim Fausing, President & CEO of the Danfoss Group.



We want **30% female leaders** by 2025

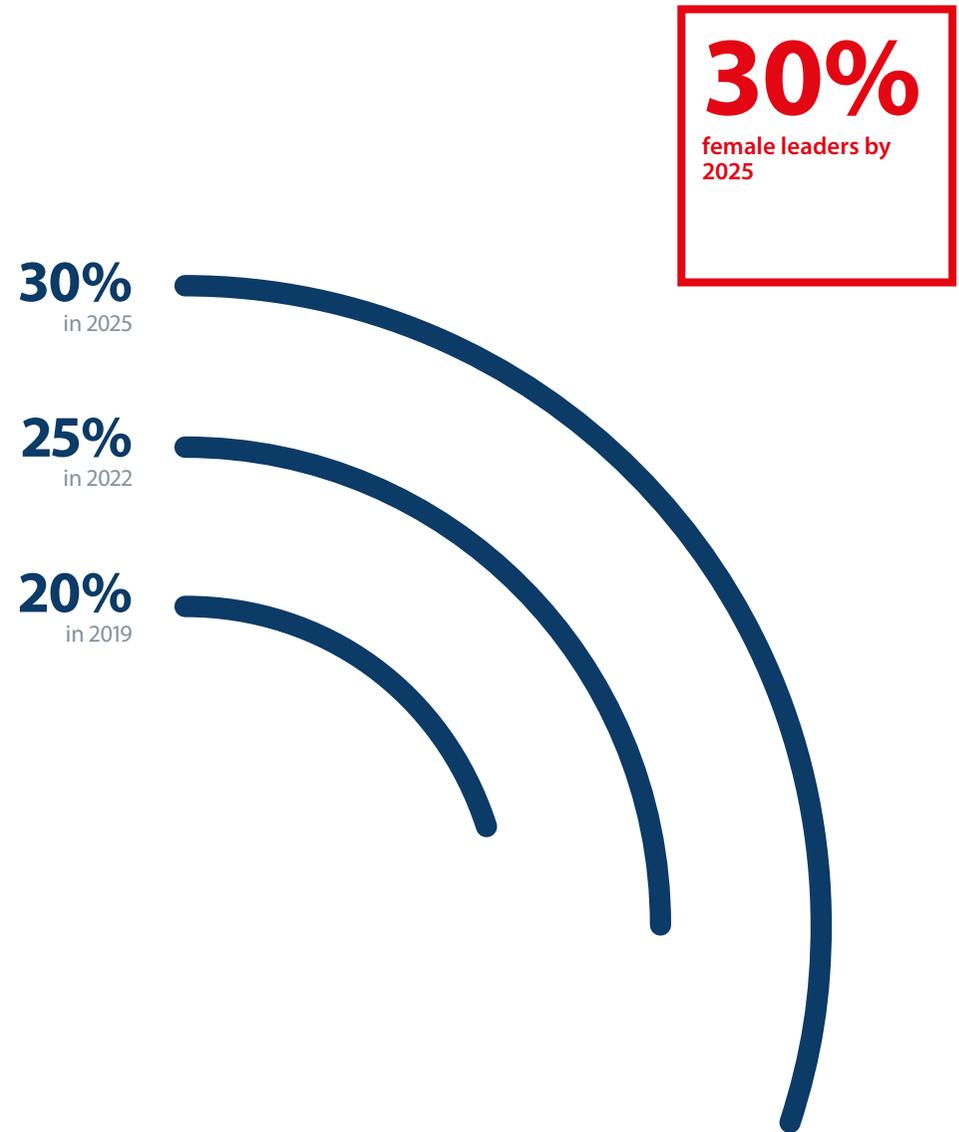
Our world is transforming with high speed. The megatrends change the way we do business and inspire us to continuously redefine the way we work.

Diversity of thought combined with an inclusive work culture enables us to unleash the potential in every team, making us more agile and innovative. However, we are not where we want to be: The representation of women in leadership roles does not reflect our organizational gender split.

We recognize that our business, as well as the industry we operate in, is dominated by men. To us, this only means that we have a responsibility to make engineering even more attractive to female talents.

That's why we have set new ambitious targets to reach 25% female leaders by 2022 and 30% female leaders by 2025.

We want to break down barriers and assumptions about leadership roles and inspire everyone to achieve their potential. We want it because it is simply the right thing for us to do.



Sustainability highlights 2019



We successfully reduced the global Lost Time Injury Frequency by 35% from the 2017 level versus a target of 50%. The LTIF ended at 2.2 lost time incidents per million hours worked.

Six Danfoss solutions received recognition for their contribution to the SDGs and obtained the Solar Impulse Efficient Solutions Label which serves as a guarantee of quality to those looking to implement clean solutions.

In 2019, Danfoss received Sustainarity's SDG Tech Award in the "Best Company" category in recognition for the company's sustainable and innovative technology solutions.

Danfoss joined new partnerships with, amongst others, the Three Percent Club, Getting to Zero Coalition and Cool Coalition.

Since 2007, we have succeeded in reducing our heat consumption at the Nordborg campus by more than 60% and we have reduced the CO₂ emissions from heating by more than 70%.

Danfoss Poland successfully implemented the Less Plastic project in Danfoss' Eastern European Region, preventing 300,000 plastic water bottles from being annually disposed as waste.



45%

Reduction of Danfoss' energy intensity since the base year 2007.



35%

Reduction in Lost Time Injury Frequency since 2017.



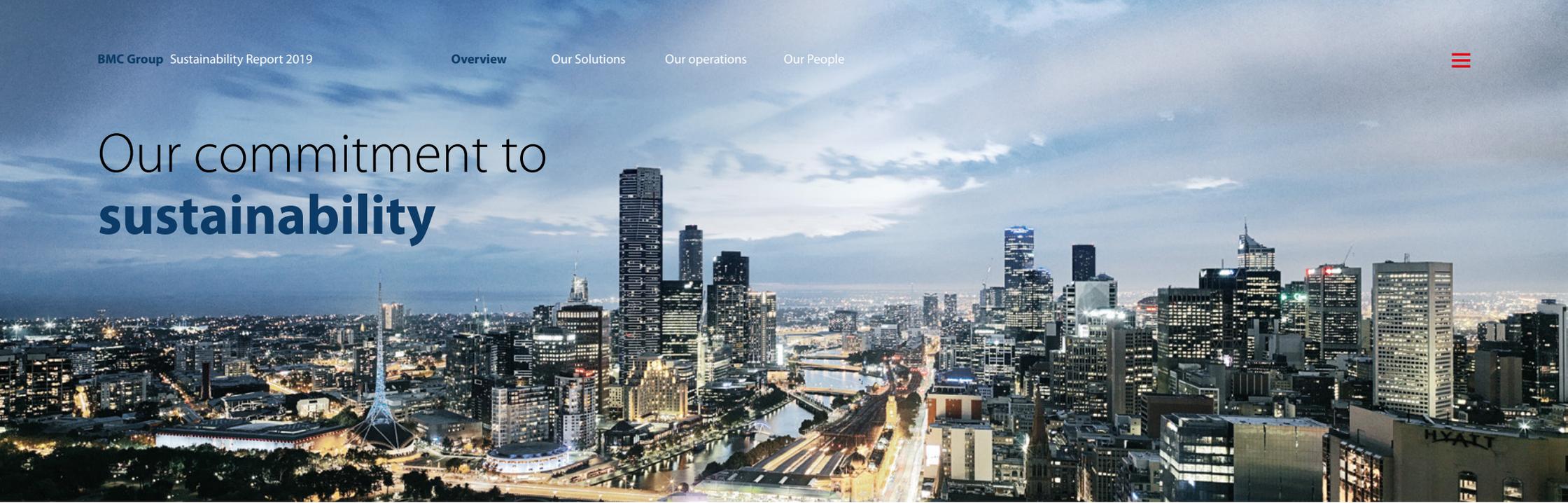
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Different nationalities work in Danfoss creating high-performing diverse teams across the globe.





Our commitment to sustainability



Taking care of the world we operate in has been a focus for Danfoss since the company was founded in 1933. The Danfoss DNA and our culture has been instrumental in our ability to build leading positions across multiple industries. Sustainability, with regards to people and the environment as well as financial performance, is a precondition for Danfoss' long-term success and for the company's ability to make bold decisions and invest in future technologies.

Our sustainability policies

We will be a reliable and trustworthy business partner by acting responsibly while balancing financial, environmental and social issues. We comply with the UN Global Compact and support the Sustainable Development Goals and engage with our stakeholders to promote sustainable development. We do our utmost to implement decisions and actions with dignity and fairness and we ensure that sustainability is a fundamental element of our business conduct focusing on resource efficiency, risk mitigation, reputation and engagement.

Keeping our own house in order

Danfoss is actively working with sustainability, integrating it into our daily work to serve as an active role model.

Being a sustainable company, we create value in the form of increased employee engagement, more efficient operations and improved utilization of resources. In other words, it is really good business to be sustainable and provide solutions to the world's challenges.

At the societal level, our work on sustainability and the Sustainable Development Goals create value through the company's initiatives and local presence. Society benefits because we take responsibility for the vulnerable in the labor market, for training employees or contributing to increased energy efficiency or the transition to green energy.

But we cannot deliver on abovementioned without ensuring that we are acting in compliance with global minimum standards for human rights, labor rights, the environment and anti-corruption and the Global Compact's ten principles. We keep our own house in order and are proud to be a leading player in the fight against global heating.

Together with our aspiration, promise, values and behaviors, our sustainability program ensures that we maintain a strategic focus on those areas where we have the biggest impact and can create the best results.

Danfoss sustainability program

Business and products

- Energy and CO₂ emissions
- Resource efficiency
- Products and materials
- Sustainable Development Goals

People and community

- Health and safety
- Environment
- Ethics and human rights
- Compliance programs

Desired outcome

- Cost and resource optimization
- Risk assessment and mitigation
- Business opportunities and reputation
- Employee engagement and commitment

We deliver on the Sustainable Development Goals

An ever-growing global sense of the climate crisis and existing inequalities led to the adoption of the Sustainable Development Goals, that became a standing agenda for many governments, business, cities and civil society who are mobilizing efforts to deliver on sustainable development. For Danfoss as a leader in technology and innovation, the SDGs first of all create good business opportunities and generate the space to make a positive impact in the societies around us.

Our product portfolio offers a wide range of solutions helping our customers to minimize their environmental footprint and mitigate global climate issues, such as air pollution in cities. We enable sustainability, efficiency and productivity in buildings, transportation, urban development, energy systems and food production.

The prioritized SDGs

SDG 7 is at the center of everything we do – it is the opportunity for us to set the focus on climate action through our products and manufacturing processes. Our passion for energy efficiency and electrification is directly linked to four of the Sustainable Development Goals – SDG 6, SDG 7, SDG 11 and SDG 12 – these are the areas where we consider our products and solutions to have the highest impact. Taking care of our people, communities and the regions, in which we operate is the key element of our company DNA. We take responsibility for vulnerable people in the labor market, for training employees and providing equal opportunities and conditions for a diverse workforce.



2020

What we want

Develop processes to measure the impact of our business on the SDGs.

Strengthen the knowledge on the SDGs in Danfoss' global organization through internal awareness programs.

2019

What we did

In total, six Danfoss solutions have received recognition for their contribution to the SDGs and obtained the Solar Impulse label.

In 2019, Danfoss engaged with three more partnerships: Cool Coalition, Getting to Zero Coalition and the Three Percent Club.

2019

What we said

Further increase ownership and commitment to the Sustainable Development Goals in Danfoss' global organization.

Engage in more projects and partnerships to advance the SDGs.

Clean water and sanitation

Fresh, clean water is a basic element of life - it is vital for agriculture and important for industries. At Danfoss, we provide solutions with optimized energy consumption for water and wastewater handling, and desalination, which is important in water-scarce areas. Our technology helps to reduce water loss in city pipes networks and secure more efficient water use within food production.



Every drop of water count

Water scarcity is one of the major challenges that the world is facing today with 2.1bn people without access to safe drinking water. With 2-3% of global energy consumption, the mutual dependency between energy and water has an enormous impact on global economic growth, the environment and our future in general.

Energy-efficient water systems

A more energy-efficient water system automatically helps to reduce water leakage. At Danfoss, we engineer technologies for an energy-neutral water sector, by optimizing

energy use and minimizing water loss in water-treatment applications and irrigation networks. Sensors and variable speed drives coupled with advanced process control can significantly reduce water leakage and energy consumption by at least 25% through cost-effective efficiency actions.

High energy use in municipalities

Up to 30-50% of a municipality's total electricity bill can be spent on water and wastewater. In Aarhus, Denmark, we achieved 100% energy-surplus production by increasing the energy efficiency throughout the whole water cycle and maximizing energy

production from the wastewater facility. This has been achieved without adding external carbon to the wastewater facility or using any other external energy sources. At the moment, Aarhus Water is running with only 6% water leakage. Our variable speed drives and pressure transmitters are the key part of such systems.

Partnerships for capacity building

We work actively with municipalities, such as ProjectZero in Sonderborg, Denmark, and through global city networks, such as C40, to help build capacity and deploy smart, and energy-efficient solutions for the energy-neutral water sector, today.



Visit [danfoss.com](https://www.danfoss.com)

Our solutions helped Danish water utility company to become energy-neutral. Click to learn more.



 [Play video](#)

Handling water efficiently is vital for human wellbeing. Watch the video to learn more on why pressure management is the key part of the solution in achieving more efficient water management on a global scale.

2025

Is the year, when 1/3 of the world's population will live in water-stressed areas according to the United Nations.



25%

of water and energy consumption can be saved with energy-efficiency measures and smart technology.



100%

energy-surplus production by increasing the energy efficiency throughout the whole water cycle.



Affordable and **sustainable energy** for all



To reach carbon neutrality, energy-efficient technology and renewables must be implemented together and on a large scale. We must not only turn our energy supply green but decouple economic growth from energy demand. An enabler for the energy transition is electrification. Danfoss engineers solutions for an electrified mobility sector on land and sea.

The future is electric

According to the International Energy Agency, around 44% of emissions reduction need to come from energy efficiency to reduce the world's energy demand and 36% from renewable energy, such as wind and solar. An enabler for the green transition is an electrified mobility sector, both on land and at sea.

Maritime sector emissions

The maritime sector is responsible for about 2-3% of global greenhouse gas emissions. At Danfoss, we engineer electric solutions for off-highway and marine transport to reduce not only CO₂ and other pollutants, but also improve the productivity and efficiency of such machines. Our Editron electric marine system makes ferries far less carbon intensive and allows them to sail without polluting island communities, coastal zones and inland waterways.

The world's most powerful electric ferry *Ellen* started operating in Danish waters in 2019. The electrically powered ferry has the largest battery capacity at sea and

navigates without CO₂ emissions. The Danfoss' motors, used in the e-ferry, are powered by a battery system with an unprecedented capacity of 4.3 MWh and fueled 100% by electricity. This makes *Ellen* emissions-free and she saves the climate 2,000 tons of CO₂ every year. On top of this, the technology allows 50% energy savings compared to diesel-powered vessels.

With market-ready emissions-free ferries, we can electrify transport in in-shore shipping areas, and on rivers, harbor areas and lakes. These innovative solutions make it possible to reduce pollution and improve air quality in the surrounding areas.

Electrification of transport by sea holds great potential

That's why, in 2019, we joined the Global Maritime Forum's multi-stakeholder initiative, called the Getting to Zero Coalition, aiming at zero-emissions vessels by 2030. We want to be a partner for our customers and have our technologies ready for a decarbonized maritime sector.



Visit [danfoss.com](https://www.danfoss.com)

Our Editron electric marine system reduces emissions of marine transport. [Click to learn more.](#)

Play video

Achieving low-carbon and sustainable future requires electrification of transport on sea and land. Watch the video to learn more about the case.



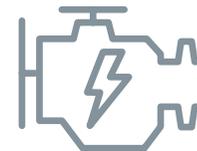
2-3%

of global greenhouse gas emissions are emitted by the maritime sector.



100%

an electrically powered battery system drives the motor of the E-Ferry *Ellen*.



Electricity

from sustainable energy sources is the fuel of the future for maritime vessels.



Sustainable cities and communities



To ensure our future, cities must scale up urban efficiency and transform their energy systems. At Danfoss, we provide energy-efficient solutions for sustainable buildings, heating and cooling, district energy systems and electric transport to develop carbon-neutral cities as the world's first responders to the climate emergency.

Climate-conscious urban planning

Within 30 years, the Earth's population will reach almost 10 billion. With nearly 70% of people living in cities, our success in achieving carbon neutrality by 2050 will depend on urban strategies, policies and actions.

We need to future-proof our cities

Heating, ventilation and air conditioning in buildings is one important topic no one should overlook when tackling the climate crisis. At Danfoss, we engineer digital solutions for urban efficiency, based on innovative software and connectivity solutions.

Our Leanheat technology uses Artificial Intelligence (AI), and Internet of Things (IoT) sensors to make buildings intelligent - making already energy-efficient district energy systems, even more climate friendly. By monitoring temperature and humidity in each apartment in combination with

data from weather forecasts, the software adjusts the indoor climate to reduce energy consumption and cost.

In Finland, where winters get very cold, the pressure on the energy system is extreme. By getting building-control systems installed in 4,100 apartments, Finland's fourth largest housing association was able to reduce energy consumption by 20% and achieve a 10% reduction in energy cost. This has led to a reduction of greenhouse gas emissions of 3,800 tons per year.

Working with the Three Percent Club

As part of the newly launched Three Percent Club by the International Energy Agency, UN Environment, Alliance to Save Energy, World Resources Institute and others, we support countries and cities to develop energy-efficient buildings and district heating and cooling systems for future-proof and sustainable cities.



Visit danfoss.com

The Leanheat solution makes buildings more intelligent by using AI and IoT. Click to learn more.



 [Play video](#)

With Danfoss Leanheat installed in over 100,000 apartments, we actively contribute to mitigating the impact of cities on climate change.

60-80%

of energy resources will be consumed in cities in 2030.



20%

of energy is saved in peak hours due to intelligent buildings.

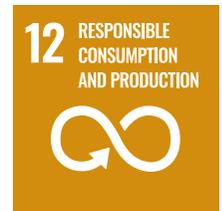


30%

reduction in technical-maintenance costs for buildings by providing accurate predictive problem-detection.



Responsible consumption and production



With a growing population, consumers are demanding more, safer and healthier food. This means that the need for efficient and effective food supply and cold chain management has never been more important. We offer technologies that enable the reduction of post-harvest food losses and ensure perfect conditions from farm to fork.

Closing the food gap today

Food loss and waste accounts for about 8% of global greenhouse gas emissions annually. If this was its own country, it would be the world's third-largest emitter. While 1/3 of all food produced is never eaten, 800 million people go to bed hungry every day.

At Danfoss, we provide technologies for every step of the food supply chain. For example, energy-efficient pre-cooling and cold storage extends the life and quality of the product, while ripening chambers ensure better control and the right temperature for the product. The potential of precision farming and cold chain solutions can radically improve the way we produce and handle our food for the benefit of the climate, farmers and consumers.

Fighting food loss as a means of reaching zero hunger is not only vital in meeting the growing demand for food, but it is also a way to lift more people out of poverty.

In India, banana farming has been marked by severe food loss. Every third banana in the world is produced in India, with more than nine million tons produced in the state of Tamil Nadu alone, where post-harvest losses have reached up to 30%. Danfoss supported farmers in establishing post-harvest measures and a cold chain, extending the life of bananas and making transportation possible. This resulted in a 20% reduction of post-harvest food loss and an increase in farmers' income by 200%.

Joining the UN's Cool Coalition to share knowledge

Now we are aiming to scale this approach with the help of the UN Environment-based Cool Coalition, helping governments to develop cooling action plans and increase their farmers' income and productivity.



Visit [danfoss.com](https://www.danfoss.com)

Our product portfolio for cold chain applications allows food to be preserved all the way. Click to learn more.

Play video

Indian bananas made their way to Europe for the first time in 2018. Technologies and partnerships made it happen.



1/3

of all food produced is lost or wasted.



200%

increase in farmers' income achieved due to established partnership between Danfoss and banana farmers.



20%

reduction in post-harvest food loss achieved in Indian case through implemented post-harvest measures and a cold chain.



Energy, climate and environment

We enable the world to do more with less to build a carbon-neutral future

At Danfoss, we turn words into action. It's in our DNA. As more opportunities come up through digitalization and the ambition of an electric future, we are putting ourselves and our customers in the perfect position to be part of the sustainable transformation. Our diverse team of 27,871 ambitious colleagues makes this possible.

Our environmental policies

Guided by the energy-efficiency-first principle, we prevent pollution and manage resources efficiently while minimizing the environmental impact of our activities. We act preventively using a risk-based approach to ensure continual and measurable improvements in our performance.

Environmental management

We follow a strict due diligence procedure when dealing with the potential environmental risks associated with acquiring land and companies. This includes thorough reviews of potential acquisitions examining the site and the environmental history of the surroundings. Regional hydro-geological and geotechnical conditions are evaluated through field surveys to discover ground pollution or historical deposits.

All production companies are required to maintain environmental management systems certified to ISO 14001 to manage performance and identify potential environmental

improvements. In 2019, 87% of all production companies were certified to ISO 14001. The remaining companies are exempt from the requirement.

The Himmark beach area next to Danfoss' headquarters in Nordborg, Denmark, was used in the 1950s and 1960s for landfill and the incineration of 28,000 to 52,000 m³ industrial waste; of which 6-700 m³ contained chlorinated solvents and petroleum products. It happened with the approval of the authorities who do not hold Danfoss accountable for the pollution.

Nevertheless, Danfoss has chosen to pay for investigations to further understand how the pollution can be remediated. Danfoss has also volunteered to pay our share of the cost of the clean-up.

Circular economy

Circular economy promotes the sharing, leasing, reusing, repairing, refurbishing, and recycling of existing materials and waste in an almost closed loop. As a leading company, we are committed to making this shift easy, efficient and productive for our customers. This requires that we view the entire value chain through the glasses of circular economy with the entire life cycle in mind.

For several years, Danfoss has included circular thinking in our product design, reducing in-process waste and the use of raw materials while ensuring high durability and long lifetime. We continue to explore the opportunities in circular economy and embed this into products and processes. This includes detailed environmental product declarations based on full material declarations and life cycle-assessments.

2020

What we want

Provide detailed recommendations on how to decarbonize Danfoss' global operations at the latest by 2030.

Launch pilot projects paving the way for electric company cars by 2030.

Launch "LessPlastic" globally to phase out single-use plastic by 2021.

2019

What we did

Danfoss' energy intensity was reduced by 45% and the CO₂ intensity fell by 33%, both compared to 2007.

Danfoss announced the company's ambition to become CO₂ neutral in its global operations and to make the transition to electric company cars 2030 at the latest.

2019

What we said

Further reduce energy intensity and CO₂ intensity in the largest factories.

Explore what radical steps we could take to accelerate the decarbonization of our energy consumption.

Global **decarbonization**

To address the climate emergency, we need to stop talking and start acting. We have set ourselves the target of CO₂ neutrality by latest 2030.

New ambitions for action

Global megatrends, such as climate change, pressure on food supply and urbanization are defining our world. As a leading technology provider, delivering solutions enabled by digitalization and electrification, we take action. **Danfoss is now embarking on an ambitious journey to become CO₂ neutral in our global operations by 2030 at the latest. Joining the “Business Ambition for 1.5°C - Our Only Future” and setting science-based targets will further emphasize Danfoss’ commitment to combat the climate crisis.**

Business initiatives for action

In December 2019, Danfoss joined, as the first global technology company, all three business action initiatives under The Climate Group. Danfoss signed up for the RE100 and EV100 initiatives on top of EP100, which the company joined in 2016.

EP100 - Energy efficiency first

Focusing on energy efficiency and electrification is at the very core of our business and the solutions we provide to our customers. The cheapest and cleanest energy is still the one not used.

EV100 - Electric company cars

We work with partners in cities, utilities and governments on the infrastructure needed

for sector integration, to drive the uptake of electric mobility, and also to transform our own company car fleet to all electric. First pilots have started in Northern Europe to phase out combustion-engine vehicles and develop plans for charging infrastructure.

RE100 - Renewables

We support the development of future-proof district energy and ensure that buildings become smart, and able to consume and produce energy, such as when we utilize the surplus heat from supermarkets to heat our homes. And ultimately, we are investing heavily in electrification powered, of course, by renewable energy.

The next steps

Within the first quarter of 2020, we will detail how we will reach these targets including how to balance potential CO₂ impact, commercial terms and long-term factory footprint. We apply an “energy efficiency first” approach that also supports a high share of renewables.

Less clean energy needed means less investments for grid extension, energy storage, back-up capacities and energy imports. Finally, electrification, powered by renewables, is an enabling tool that will allow us to decarbonize our business.



Energy consumption and emissions

The energy we don't use is the cheapest and energy efficiency is therefore at the core of Danfoss' green transition



Continued focus on energy efficiency

The most cost-efficient, sustainable, and secure form of energy is the one that is not needed to begin with. As a leading technology provider with a portfolio of innovative, energy-saving products, Danfoss is part of the solution and committed to leading by example by reducing our own CO₂ footprint through an ambitious sustainability and climate strategy.

In 2019, Danfoss continued its energy-saving projects at the 27 largest factories worldwide, accounting for 85% of Danfoss' total energy consumption. We believe that we have not yet harvested the full potential of our technologies within energy savings and process optimization and new projects are therefore being launched to cut energy consumption further in buildings and production processes, and to recover excess heat from processes and ventilation.

Energy consumption and emissions

In 2019, Danfoss' energy consumption fell by 2% to 634 GWh. Danfoss' energy intensity decreased in 2019 by 4% compared to the previous year. The energy intensity has overall been reduced by 45% since 2007. To achieve the target of doubling our energy productivity by 2030, energy optimization measures have been implemented throughout Danfoss'

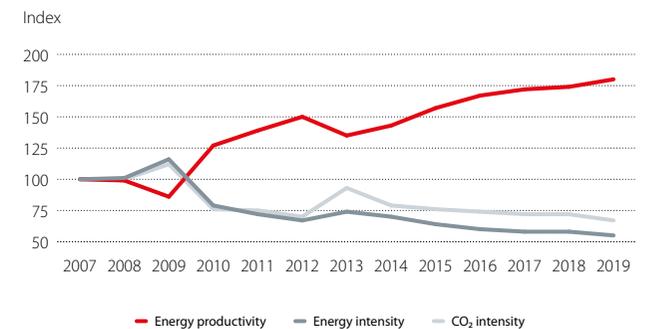
global organization. In 2019, the energy productivity increased by 4% to 9.9 EURm/GWh bringing the total increase of the energy productivity to no less than 80% since 2007. We expect to reach 100% within few years, which means that we generate the same output with half the energy consumption as in 2007.

In 2019, Danfoss emitted 254,000 tons of CO₂ which is a reduction by 4% from the previous year. The sources were generation of electricity and heat in our own facilities as well as the purchase of electricity and heat from external sources. In 2019, Danfoss' CO₂ intensity fell to 40 tons per EURm, equal to an overall reduction of 33% since 2007. The CO₂ intensity is still somewhat impacted by increasing electricity consumption in countries with high carbon intensity in the electricity supply. In 2019, customer demand grew for products produced in factories depending on a more CO₂-intense electricity supply.

Water consumption

In 2019, consumption of water decreased by 8% from the previous year to 1,069,500 m³. The water consumption intensity decreased to 170 m³/EURm net sales from 191 m³/EURm in 2018; equal to a 35% reduction since 2007. The decrease is mainly caused by successful water saving projects in Danfoss' factory in Anshan, China.

Danfoss' energy consumption and emissions



Visit [danfoss.com](https://www.danfoss.com)

Read more about Danfoss' energy and water consumption and CO₂ emissions



Less plastic for a better planet

Every year, the world produces more than 300 million tons of plastic waste. At Danfoss, we promote circular and sustainable consumption and take action in eliminating single-use plastic from factories and offices.

If we do not change the ways we treat plastic waste, our seas and oceans will suffer, and biodiversity will be threatened by 2050.

The Less Plastic project

To address this challenge and avoid the negative impact of plastic on the environment, Danfoss in Poland initiated the "Less Plastic" project in 2019. The project targeted plastic water bottles and single-use plastic products such as cups, plates and cutlery to eliminate them from factories and offices. All employees at Danfoss Poland contributed to the successful implementation of the project by using glass bottles and carafes with cooled and filtered tap water instead of the previously used plastic bottles.

As well as Danfoss employees, Danfoss Poland's top customers and the local

community are encouraged to join the challenge and commit to use less plastic for a better planet.

Scaling up positive impact

Following the implementation in Poland, the project was expanded to all locations in Danfoss' Eastern European region, resulting in 15 tons of plastic being eliminated every year from Danfoss' factories and offices. The initiative also inspired other Danfoss locations in e.g. Brazil and Switzerland to join forces and eliminate more than 200,000 plastic cups and plastic bottles.

In 2020, Danfoss aims at scaling the project to global level. By applying circular economy thinking, we are delivering on SDG 12 (Responsible Consumption and Production) and reducing consumption of the products that are not sustainable.

"The Less Plastic project is excellent proof that sustainability is part of Danfoss' DNA and also deeply rooted in employees' awareness. The idea came from employees and was successfully implemented in the entire Eastern European region.

I can't imagine a better testimony of an organization's sustainability maturity."

Karolina Barcewicz, Public Affairs Director, Danfoss Poland



15 tons

of single-use plastic is eliminated from Danfoss factories in Eastern Europe annually



Compliance

– Products and materials

Integrity and compliance are key values to Danfoss.

In 2019, we strengthened our product compliance as an important enabler for customer satisfaction, growth and sustainability.

Our product-compliance policies

We make safe and sustainable products, proactively meeting compliance obligations to customers and regulators. This means that we proactively drive our compliance program, continually monitor requirements from customers and regulators and address risks through efficient processes.

We work with our supply chain to minimize adverse impacts and continually improve compliance processes across our businesses.

Regulatory foresight

Danfoss monitors and manages the impact of a growing number of product regulations and standards at national, regional and international level. We communicate regulatory requirements to our business segments and functions to ensure on-going compliance.

Digital with strong data

Digitalization with automated and integrated product data in end-to-end solutions will be key to staying compliant and supporting sustainable business growth. We are working on common processes and effective solutions to manage both product chemical compliance and recycling administration under extended producer responsibility schemes. The solutions are anchored in the Danfoss One ERP platform,

and will enable our businesses to deliver high-quality compliance information to customers and authorities, including full material declarations (FMD) and recycling information.

Robust end-to-end processes

In 2019, Danfoss deployed aligned processes to strengthen compliance with regulatory requirements. Danfoss complies with the Conflict Minerals Rule and reviews whether tin, tantalum, tungsten, or gold (3TG) in our products originate from conflict regions. We collect data from 1,400 tier-one suppliers and provide conflict mineral reports to our customers.

The Danfoss Negative List is the backbone of our continuous efforts to avoid hazardous substances in products and production processes and must be complied with by all Danfoss' suppliers, tenants and contractors. In 2019, we updated the Negative List twice and reviewed our processes and tools to ensure compliance. In 2020, our main focus will be monitoring and reporting under REACH, updating our Negative List and preparing data for ECHA's SCIP database.

Many Danfoss products are in direct or indirect scope of the EU's Restriction of Hazardous Substances (RoHS) Directive or similar regulations in other countries restricting the use of hazardous substances in electrical and electronic equipment. In 2019 we trained employees within research and development, procurement, and sales.

Danfoss also complies with the European Battery and WEEE Directives (Waste Electric and Electronic Equipment). In 2019, we deployed aligned Group processes to strengthen our compliance under the so-called open scope phase of the directives.

2020

What we want

Implement a new regulatory monitoring process and tool.

Conduct product chemical compliance digital pilot and prepare data for ECHA's SCIP database.

2019

What we did

Tested and selected vendor for regulatory monitoring tool.

Created templates, tools and processes for integrated product chemical compliance.

Strengthened internal processes for compliance with the European WEEE, batteries and packaging directives.

2019

What we said

Strengthen approach that support resource efficiency and circular economy.

Conduct Product Chemical Compliance pilot providing relevant information to customers.

Compliance – ethics and human rights

It is important to Danfoss that our results are created in an ethical manner.

Our company name must always be associated with respect for human rights, proper working conditions and social and environmental considerations.

Our ethics and human rights policies

We are a business people can trust and rely on, and which drives profitable growth in a decent, ethical manner. This means that we apply high business ethical standards in everything we do while acting with due diligence and being transparent about our business policies and decisions.

We educate our employees to act with respect for other people and cultures

Ethical guidelines

Danfoss has its own ethical guidelines and mandatory e-learning for all managers on ethics. This program, as well as other compliance programs continues to be updated according to the newest legislation and stakeholder expectations.

Ethics Hotline

Danfoss has a whistle-blower function, where employees and others can anonymously report violation of internal guidelines or legislation. In 2019, a total of 81 new reports were received from all parts of the world where Danfoss operates.

Corrective actions have been taken for all substantiated allegations ranging from stopping inexpedient behavior to termination of employment.



Additionally, Danfoss' employees can find answers to questions or doubts regarding ethics and compliance using the "AskUs" function. This inquiry function was established in 2012 to minimize uncertainty and prevent unintended noncompliance, when making managerial or business decisions.

Dismissals due to unethical behavior

Transparency about ethical issues is important to maintain an ethics culture and since 2004, Danfoss has monitored the number of dismissals due to unethical behavior.

In 2019, 32 employees left Danfoss due to unethical behavior, compared to 39 in 2018 and 51 in 2016. The figure includes both dismissals and voluntary resignations connected with ethical issues. The main reasons for the dismissals are fraudulent behavior, disloyal behavior or other violations of company policies.

Most dismissals were handled by Danfoss' Ethics Hotline, while the rest were handled directly by line managers.

Taking ethics to the next level

In 2019, Danfoss continued the "Taking Ethics to the next level" initiative, which focuses on face-to-face training of managers. The aim of the training is to identify, prevent and handle unethical behavior. In 2019, the training was carried out on Danfoss sites in Turkey and UAE, United Arab Emirates.

Human Rights

As part of Danfoss' commitment to live up to the UN Guiding Principles for Human Rights, we deployed our process for human rights due diligence in the Turkey-Middle East region in 2019.

Danfoss' human rights due diligence process aims at building capacity to handle human rights issues in the different regions where we operate, thereby creating ownership at local level.

Assessment of legislation and actual practices in the countries where we operate forms the basis for identifying, assessing, prioritizing and mitigating potential impacts on human rights in the due diligence process.

Action plans addressing actual or potential human rights impacts are drawn up with local management and regular follow-up meetings ensure that the process is maintained. So far, we have conducted human rights due diligence in regions covering the following regions: China, Asia Pacific, India, Russia, Latin America and Turkey/Middle East/Africa.

Companies are required to report on their salient human rights. Danfoss' salient human rights can be found here. (link to danfoss.com "Ethics and human rights")

Modern Slavery

Several countries have issued regulations to avoid 'Modern Slavery', which comprises all forms of forced or bonded labor. Danfoss addresses forced labor in two ways: in the due diligence process for our own factories and in our supply chain. The scope for the due diligence process at our factories has been extended by outsourced functions like cleaning, catering and construction as these are some of the branches with increased risk of forced labor.

Assessment of potential human rights issues in our supply chain can be quite complex, considering that Danfoss has more than 3,500 suppliers of direct materials (materials used in products) and 10,000 suppliers of services and indirect materials (e.g. cleaning and catering). Based on a risk matrix considering country risk and spend, suppliers of direct materials with high risk are subject to third-party audits.

Suppliers of indirect materials and services must sign Danfoss' Code of Conduct, but they are not subject to third-party audits. However, research shows that some of the categories in indirect supply are more exposed to forced labor than suppliers of direct materials, because these are branches with many low- or un-skilled workers and relatively low wages. Branches, which have these challenges are: cleaning, catering, construction, clothing, transport and recruitment.

To get an idea about the conditions in these branches, trial audits in each of the six branches were carried out in 2019. The results of the audits were similar to those we see for suppliers of direct materials, but the level of maturity in mitigating the issues was lower than for direct suppliers.

Five of the six trial audits have been closed, while one (construction) failed. Construction holds more challenges because the contracts are short-term and therefore, Danfoss has formed a cross-functional team that has established a process to avoid forced labor in construction. The process contains steps to avoid forced labor in each of the phases in large and medium-sized construction projects. In 2020, we will use the process as a pilot project when carrying out a new construction project in China.

Responsible sourcing

Danfoss continues the company's systematic work with responsible supplier management.

Our Code of Conduct for suppliers, which all existing and new suppliers are required to accept and sign, defines our requirements on environmental, social and ethical issues. The Code of Conduct also deals with modern slavery and human trafficking to ensure that all suppliers act in accordance with the guidelines and regulations in these areas.

We perform regular supplier audits to verify compliance and to ensure that any non-compliance is addressed. Follow-up audits are conducted to follow up on matters such as inadequate safety measures, missing or blocked emergency exits, incorrect handling or storage of hazardous chemicals and discharge of wastewater etc.

Training of all Danfoss employees, who have contact with suppliers is done on an ongoing basis to ensure that they are familiar with our Code of Conduct and their roles and responsibilities. The training consists of multiple modules, primarily as online training.

In 2019, based on spend, the compliance to Danfoss requirements was documented on all suppliers with a score of 94% against a score of 90% in 2018.



Visit danfoss.com

[Click to read Danfoss' Modern Slavery Statement 2019.](#)

2020
What we want

Evaluate and align Danfoss' compliance with emerging and relevant Modern Slavery Act regulations, with focus on making more robust processes for high-risk areas for forced labor.

2019
What we did

"Taking ethics to the next level" and Human Rights due diligence has been carried out in Turkey and Middle East according to plans.

2019
What we said

Conduct human rights due diligence project and ethics training in Turkey and Middle East.

Our people

Our people are our most valuable assets.

Building and developing highly competent and engaged teams is one of the key enablers in creating greater innovation and results.

Our people policies

Our people work with purpose – engineering technologies that enable the world of tomorrow to do more with less. We trust people and give them freedom to act.

We work together to exceed customer expectations and achieve excellent performance and continue to learn and value expertise, curiosity and ambition.

We provide a working environment where people are treated fairly and can be successful in their life journey.

We want a culture of high-performing diverse teams, operating in an inclusive work environment that fosters empowerment, creativity and respect.

Innovation and great results are driven by diverse backgrounds, personalities, skills, and perspectives, reflecting people who care about each other and treat each other fairly.

By living out an inclusive culture characterized by diversity, we make sure to develop our own people as well as attracting the very best candidates from various backgrounds to join us.



Diversity and inclusion: Be curious and welcome differences

Diversity is our reality – inclusion is our choice. A diverse workforce helps us to understand and serve our global customers best. We set a target for our high-performing diverse teams with 30% female leaders by 2025.

Being different makes us challenge the status quo and inspires us to engineer a better tomorrow. Innovation and great results are driven by the right mix of people with diverse backgrounds, personalities, skills, and perspectives, reflecting the world in which we do business. At Danfoss, we call this mix 'high-performing diverse teams'.

High-performing diverse teams

However, different is not enough to be high-performing. To make sure the mix of people works, we strive to create an inclusive work environment where people of all backgrounds are treated equally, respected, and valued for who they are.

Multiple studies show that a gender-balanced organization simply generates stronger performance. We, too, believe that a diverse and inclusive workplace fosters

creativity, innovation, and a broader perspective in decision-making, optimizing our performance. In 2019, we reached our target of having 20% female leaders in Danfoss. Despite our progress in this area, we recognize that we still need to do better.

Therefore, we are determined to increase the percentage of female leaders to 25% by 2022 and 30% by 2025.

We will take further steps in 2020 to reach this target, among other things by reviewing our recruitment processes, and by developing female talents to create a more diverse pipeline for our leadership positions.

Danfoss defines employees with an extraordinary potential to grow as 'talents'. In 2019, 24% of these were women.



*"We strive to create a work environment, where everyone knows their opinion counts and matters. **Our new targets are equally ambitious and essential; we need to break down barriers and inspire everyone to achieve their full potential.**"*

Ilonka Nussbaumer, Head of Group HR



Play video

Click to watch the video about our Postgraduate Program

Diversity

Our high-performing, diverse and engaged teams are the foundation for achieving our ambitions to significantly grow and develop Danfoss.

We aim to employ a diverse workforce that reflects society in terms of culture, nationality, gender and age. In 2018, employees of more than 100 different nationalities worked in the Danfoss Group. We focus on diversity both in our recruitment processes and when we bring colleagues together to take on a new project, as we believe that diverse teams drive innovation and better results. We take pride in creating an inclusive working environment, which embraces diverse backgrounds, skills and perspectives.

The target has been to increase the percentage of female managers to 20 percent by 2017 from 18 percent in 2014. In 2018, the percentage of female managers was 19 percent, which is the same as in 2017. We recognize that we need to make further steps and are still aiming for the 20 percent ratio. In 2019, the target will be reviewed.

Gender composition in Board of Directors

Section 99b of the Danish Financial Statements Act (FSA) requires that corporate entities of a certain size and type report on the gender composition in management. Danfoss aims at a gender composition in the Group's Board of Directors, which reflects that of the rest of the Group, and has a target of having at least one female member of the Board of Directors, who is elected at the Annual General Meeting (AGM). Danfoss meets this target. In 2018, the Board of

Directors had three female members, one AGM-elected and two employee-elected. Furthermore, the Board of Directors consists of persons with diverse backgrounds in terms of professional skills, nationality and age.

Gender composition targets similar to that of the Board of Directors have been implemented in the relevant subsidiaries of a certain size and type. Danfoss meets the gender composition target for the Board of Directors of Danfoss Power Solutions ApS, but not of Danfoss Power Electronics A/S (Danfoss Drives), Danfoss International A/S and Sondex A/S, as the composition of the boards did not change during the year. However, Danfoss Drives has a female board member elected by the employees. In these relevant subsidiaries, the gender composition target for the Board of Directors is expected to be met in 2021.

The Foundation strives towards increasing the number of women in the Board of Directors to a minimum of two women of the in all six eligible board members by 2020. This target was determined at the Foundation's Annual Meeting in 2017.

In order to reach the target, the Foundation will ensure that before the Board of Directors recommends a candidate for election at the Annual Meeting, the Board has assessed a minimum of one candidate who represents diversity. Should two candidates be equally qualified, the Board of Directors will recommend the candidate who represents diversity for election at the Annual Meeting. Currently, there is one woman in the Foundation's Board of Directors.



Generations

15% Born 1946-1964 (Baby boomers)
31% Born 1965-1977 (GenX)
51% Born 1978-1996 (GenY)
2% Born 1997+ (GenZ)



Nationalities

117 nationalities across Danfoss



Employment seniority

10.1 years average employment



Gender – percentage female

29% All employees
24% Talents
20% Leaders
15% Senior Management
7% Vice president and above

2020 What we want

Track the degree of perceived inclusion in our engagement surveys.

Strengthen our diversity and inclusion ambassador network across the globe.

Drive initiatives to increase diversity in teams and the percentage of female leaders to 25% by 2022 and 30% by 2025.

2019 What we did

Confirmed that diverse teams in inclusive work environments deliver the strongest performance in Danfoss.

Created and activated a global definition and strategy for diversity and inclusion.

2019 What we said

Establish diversity and inclusion as a high priority on our strategy agenda.

Create a foundation for further initiatives about diversity and inclusion.

The Behavior Ambassador program

We believe that engagement and involvement are key in working towards our common goals. At Danfoss, we have three behaviors that function as global guidelines for how we want to achieve our goals. Everything we do should reflect these behaviors: Frontline Passion, Run the Business – Like your own, and Think Danfoss.

In 2019, we sharpened focus on the behaviors by launching the Behavior Ambassador Program globally. The program is based on peer-to-peer nominations of both individuals and teams at all levels of the Danfoss organization. Finally, three ambassadors are recognized and celebrated, one for each behavior.

Through the program, we recognize and celebrate our dedicated and loyal employees who make a difference for Danfoss every day. The program also serves as a source of understanding as it naturally generates examples of our behaviors from all over the organization, making our behaviors personal, concrete and representative.

The program runs twice a year, creating awareness and enhancing the sense of community within Danfoss.



The RISE project: Developing our diverse workforce



We develop our diverse workforce in an inclusive and collaborative work environment. This year, the RISE project came to life in Danfoss Asia Pacific Region. The program is designed to develop and challenge our people by giving them the opportunity to take on special projects outside of their usual job tasks and cooperate with colleagues from other areas of the business.

During a six-months period, five different teams in the region worked together on projects across functions and national borders to gain new experiences and insights. Through cross-team collaboration, the teams worked, among other things, on projects to improve customer loyalty and service delivery.

The name of the program is an acronym and simply means: **R**realize your potential; **I**increase your visibility; **S**trengthen your network; **E**xpand your learnings.

Sandrah shows the way for African women

According to UNESCO, only 10% of the engineering workforce in South Africa are women, although 2.5 million new engineers and technicians are needed in sub-Saharan Africa.

Technical Support engineer in Danfoss South Africa Sandrah Ramalepa is one of the few women in what is very much a man's world. She grew up in an environment with limited access to proper schooling and formal employment. However, those circumstances did not hold her back. She had a burning desire to succeed, which drove her to overcome the challenges she faced every day, eventually leading to a job as an engineer: "I would not have done it without Danfoss. They helped me a lot, and I think I can compete with the best in industry," she says.



"I would not have done it without Danfoss. They helped me a lot, and I think I can compete with the best in industry."

Sandrah Ramalepa
Technical Support Engineer, Danfoss South Africa.

Health and **safety**

**At Danfoss, we say Safety First!
- and we mean it.**

Taking care of our people and improving health and safety on an ongoing basis is a top priority across Danfoss. Everyone should feel safe at work and no one should become injured or sick from working with Danfoss.

At Danfoss, we say Safety First! And we mean it. Safety comes before anything else. We want everyone to be safe at work and we will do our utmost to ensure a safe working environment for everyone.

Our health and safety policies

We protect the health and safety of our employees and other stakeholders and promote wellbeing to reduce absence.

We provide a safe and healthy workplace and prevent potential negative impacts of work while preventing pollution and managing resources efficiently. We act preventively using a risk-based approach and respond immediately to incidents.

Safety First!

Danfoss' "Safety First!" program was established in 2015 as Danfoss' systematic approach to a safe workplace. Focus is on clear, aligned procedures and processes to ensure a safe working environment and avoiding accidents across all Danfoss sites. An important element in "Safety First!" is the mandatory use of safety shoes and safety glasses for anyone entering the shop floor in any Danfoss factory worldwide or performing gardening or outdoor maintenance work. Hearing protection is also mandatory for employees working at machines with high noise levels, and safe walkways have been identified and marked in all factories.



Wellbeing at work

Many employees thrive and manage to maintain a good balance between the private and the professional life while others find increasing requirements and constant changes in the workplace and in the society a great challenge. Both professionally and privately.

Danfoss Drives now offers help and guidance to employees through the "Family Support" initiative as an offer to their employees to receive help and guidance to maintain wellbeing in a busy everyday life. The employee's day-to-day wellbeing is discussed at a professional meeting, which takes place at their home and is conducted by a person professionally trained in mental health. If the meeting reveals challenges disturbing the wellbeing of the everyday life, a professional from "Family Support" will offer the employees and their family help to solve the problem.

Speak up for safety

Danfoss launched the global "Speak up for Safety" campaign in June 2019 to increase focus on potential hazards. We encourage employees to report all potential hazards in their working area so that the cause of potential incidents can be removed.

Stop Report Correct

Take action and report hazards

[Visit danfoss.com](http://www.danfoss.com)

Health and safety is very important to Danfoss and our employees. [Click to learn more.](#)

Once the potential hazards are identified we prevent accidents from happening and we will make Danfoss an even better and safer place to work. By running the campaign, we demonstrate a “we respect, value and care” culture for ourselves and the people in our lives who depend on us to return home – our families, friends and loved ones. The engagement from our employees in the largest safety campaign ever run within Danfoss has been massive. More than 5,000 hazards were identified and removed in just six months making incident prevention an integrated part of the safety mindset at Danfoss.

Halving the LTIF

In 2018, Danfoss set the ambitious target to reduce the Lost Time Incident Frequency – also called LTIF – by 50% before the end of 2019 compared to the 2017 level of 3.4. The LTIF level has already more than halved since 2011, but even more can be done. In 2019, the total Group LTIF ended at 2.2 from 2.8 the previous year equal to an improvement of 35% since 2017. Since 2018, the number of accidents has consistently decreased in all segments. Danfoss Drives' factories in Denmark and Finland managed to decrease the number of Lost Time Incidents from 21 in 2018 to just 8 in 2019.

The Lost Day Rate (LDR) in 2019 was 28 (the number of days of absence, by LTIs per million hours worked). This is a significant decrease from 57 in 2018. In 2019, the injured employees were absent for a total of 1,223 days, corresponding to an average absence of only 13 days on average per Lost Time Injury.

In 2020, focus will be on reducing the LTIF further and on reducing the number of MTIs – Medical Treatment Incidents. Programs for ergonomic assessment of work and global alignment of Material Data Safety Sheets are planned for execution by the One EHS Steering Committee in 2020.

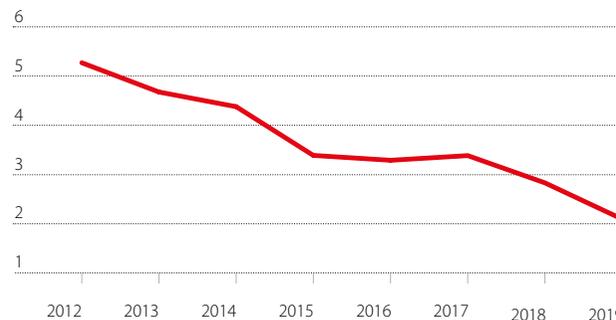
Programs for general safety awareness, safety leadership, powered industrial vehicles, are being implemented in all segments while previous programs focusing on hand & finger injuries, trips & slips, and machine safety are maintained.



*“Managing safety is never an easy task, unless you have a **100% committed management and employee workforce who keep safety at the top of the agenda.**”*

David Lourdusamy
Head of Environment, Health & Safety
Danfoss India

LTIF – Lost Time Injury Frequency
(Injuries with absence per million hours worked)



35%
reduction of
Lost Time Injuries
from 2017 to 2019

2020 What we want

Further reduce the global LTIF to 1.6 Lost Time Incidents per million hours worked.

Implement global tools to assess ergonomic hazards, assess potential hazards and risks on machines, and tools to handle Material Safety Data Sheets.

2019 What we did

The LTIF ended at 2.2 which equals a reduction of 35% from the 2017 level of 3.4 Lost Time Incidents per million hours worked.

2019 What we said

Reduce global LTIF - Lost Time Incident Frequency with a step change to 50% below achieved 2017 level equal to 1.7 Lost Time Incidents per million hours worked.

Stay up-to-date



We're meeting many of the world's climate, urbanization, and food challenges with proven and reliable solutions and we're just getting started.

With our smart technologies, we are leading the way to sustainable transformation.



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Click to learn more on how our solutions can unleash the potential of tomorrow.

This is where transformation starts

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The Climate Group's business action initiatives

THE CLIMATE GROUP

RE 100

RE100 brings together influential businesses committed to 100% renewable electricity. Led by The Climate Group in partnership with CDP (Carbon Disclosure Project), RE100's purpose is to accelerate change towards zero carbon grids, at global scale. The initiative works to increase corporate demand for – and in turn supply of – renewable energy, by bringing together major companies committed to sourcing 100% renewable electricity.

EP 100

EP100 is a global initiative in partnership with the Alliance to Save Energy. The initiative brings together a growing group of energy-smart companies committed to improving their energy productivity and doing more with less. Energy productivity is the ratio of economic output to energy consumption – so improving energy productivity means getting more economic output out of every unit of energy consumed.

EV 100 | °C

EV100 brings together companies committed to accelerating the transition to electric vehicles (EVs) and making electric transport the new normal by 2030. The transport sector is the fastest-growing contributor to climate change, accounting for 23% of global energy-related greenhouse gas emissions. By being ambitious in the target-setting for future EV purchasing, companies can drive mass roll-out and make electric cars more rapidly affordable for everyone.



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Our legacy and values

- We build our business on trust and integrity
- We are innovative in our ambition to exceed expectations
- We are global and embrace diversity
- We treasure sustainable results

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