

ENGINEERING
TOMORROW



Sustainability Report 2014



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Sustainability highlights

Sustainability Program

Danfoss continued implementing the Group's sustainability program that will set out clear goals for the work in the organization in the defined focus areas: ethical behavior; product compliance and transparency; energy efficiency and environment, health & safety.

Focus areas



**ETHICAL
BEHAVIOR**



**PRODUCT
COMPLIANCE &
TRANSPARENCY**



**ENERGY
EFFICIENCY**



**ENVIRONMENT,
HEALTH &
SAFETY**

Energy consumption and CO₂ emissions

Danfoss' total energy consumption fell by 2.3% to 591 million kWh.

Danfoss emitted 219,000 tonnes of CO₂ from the consumption of energy for buildings and processes. This is a 4% increase from 211,000 tonnes in 2013.

Health & safety

Danfoss' total Lost Time Injury Frequency (LTIF) was 4.4 in 2014, versus 4.7 in 2013.

The Lost Time Injury Frequency (LTIF) is the number of Lost Time Injuries per one million hours worked.

Ethics & compliance programs

Danfoss' Ethics Handbook was updated and distributed to Danfoss Power Solutions employees.

Special focus in 2014 was the roll-out of a Competition law compliance manual throughout the entire organization.

Human Rights

Danfoss conducted a human rights risk assessment in Russia and India. The assessments provided an overview of the actual and potential human rights risks related to doing business and having operations in the two countries.

19%

Reduction in the number of days of absence caused by work related accidents

SUSTAINABILITY HIGHLIGHTS

	2010	2011	2012	2013*	2014*
ENERGY CONSUMPTION AND CLIMATE					
Energy consumption (MWh)	424,623	379,582	363,300	604,611	591,019
Hereof electricity (share)	54%	58%	58%	63%	67%
Hereof heating (share)	46%	42%	42%	37%	33%
Total CO ₂ emissions (tonnes)	133,545	127,524	126,873	210,943	219,151
From electricity (share)	73%	77%	78%	80%	83%
From heating (share)	27%	23%	22%	20%	17%
ENVIRONMENT					
Water consumption (m ³)	692,261	770,494	637,082	806,954	834,839
Industrial wastewater (m ³)	211,504	184,471	156,467	182,950	182,386
Raw and auxiliary materials (tonnes)	166,393	151,323	126,095	265,923	294,464
CRAN substances (tonnes)	1,213	1,302	1,122	1,576	1,619
Waste (tonnes)	25,857	22,300	18,785	35,079	34,437
HEALTH & SAFETY					
Lost Time Injuries	198	146	136	172	165
Lost Time Injury Frequency (LTIF)	9.2	6.1	5.8	4.7	4.4
Days of absence	4,697	1,990	2,883	3,039	2,458
RESPONSIBLE SUPPLIER MANAGEMENT					
Suppliers in high-risk countries	533	905	702	799	936
Signed the Code of Conduct	81%	53%	83%	65%	73%
Suppliers in medium-risk countries	442	358	284	322	360
Signed the Code of Conduct	46%	56%	68%	61%	68%
Suppliers in low-risk countries	3,284	2,251	1,791	2,575	2,468
Signed the Code of Conduct	46%	65%	81%	47%	57%
SOCIAL RESPONSIBILITY					
Dismissals due to unethical behavior	40	26	47	31	30

(*) Includes Power Solutions acquired in 2013



This is our **Communication on Progress**
in implementing the principles of the
United Nations Global Compact.

We welcome feedback on its contents.



Sustainability hand in hand with profitable growth

Danfoss treasures sustainable results and aim to play an active role in sustainable global development where profitable growth goes hand in hand with social responsibility, environment and climate considerations.

More than a decade ago, Danfoss became a signatory to the UN Global Compact Initiative, which deals with human rights, labor rights, the environment and anti-corruption. We continue to support the Global Compact, as a governing principle in our sustainability efforts. This report is our Communication on Progress report to the UN on how our sustainability efforts have progressed.

In 2014, we started implementing the Danfoss Group sustainability program that combines existing and new initiatives. During its implementation period from 2014 to 2017, this program will guide our work on sustainability within a strengthened group-wide framework, while at the same time setting out clear goals for the work in our organization in the defined four focus areas of: ethical behavior; product compliance and transparency; health and safety, energy efficiency and finally environment. We will also continue systematic activities within human rights and compliance programs. Finally, we will closely follow developments within other important areas, e.g. resource efficiency.

In 2014, we updated the Danfoss Ethics Handbook, which has also been distributed to the 6,111 employees at Danfoss Power Solutions, which became part of the Danfoss Group in 2013. We have continued ethical conduct training for all people managers, and more than 6,000 managers and other key employees have completed the Group's competition compliance program. In 2015, we will launch a program within export controls. Our managers and key employees will be asked to complete these mandatory programs on an ongoing basis.

We look forward to reporting on our progress.



Niels B. Christiansen
President & CEO



NIELS B. CHRISTIANSEN
President & CEO

Danfoss sustainability program

This part of the report describes Danfoss' sustainability program, priorities and focus areas, which have been defined to ensure continuous improvements and alignment with Danfoss' business strategy and societal developments.

Danfoss' sustainability program

Danfoss has defined its sustainability program based on global megatrends, the Group's expectations in relation to future growth areas within food, infrastructure, climate and energy, and interviews with managers and key employees at the Danfoss divisions and corporate functions. The program will be implemented in 2014-2017.

The program supports Danfoss' strategy with regards to profitable growth and will ensure achievements in prioritized areas through a clear structure, goals and follow-up.

Materiality Assessment

Danfoss has identified more than 100 topics that may be relevant in Danfoss' approach to sustainability. Using a systematic selection process (materiality assessment) facilitated by an external consultant, Danfoss has identified the key themes to be addressed in the Group's sustainability program.

The figure illustrates the key themes as determined in terms of their importance to Danfoss (impact on revenue, earnings, reputation and compliance) and importance to its stakeholders (the media/general public, customers, legislators, NGOs, employees/management and owners).

Danfoss' sustainability program rests on two pillars:

1. Danfoss will remain a reliable business partner to maintain our "license to operate."
2. Danfoss is a world-leading supplier of technologies and solutions that support the growing need for sustainable food supply, modern infrastructure, efficient energy utilization and better climate control.

The sustainability program was approved by Danfoss management in December 2013, and will be implemented from 2014 with special focus on the following areas:

- Ethical behavior
 - Danfoss Ethics Handbook
 - New ethics e-lesson for all managers
 - Compliance programs for managers and key employees (anti-corruption, competition, data privacy and export controls)
- Product compliance and transparency
 - Customer and legislative requirements, e.g. RoHS, REACH, WEEE, and conflict minerals
 - ECO-design, materials declarations
- Energy-efficient Danfoss
 - Danfoss' climate strategy and climate targets
 - Emissions reductions and energy savings in buildings, processes and transportation
- Environment, health and safety
 - Establishment of a global management system for environment, health and safety
 - Healthy and safe workplaces for productive employees
 - Reduction in the number of work-related accidents

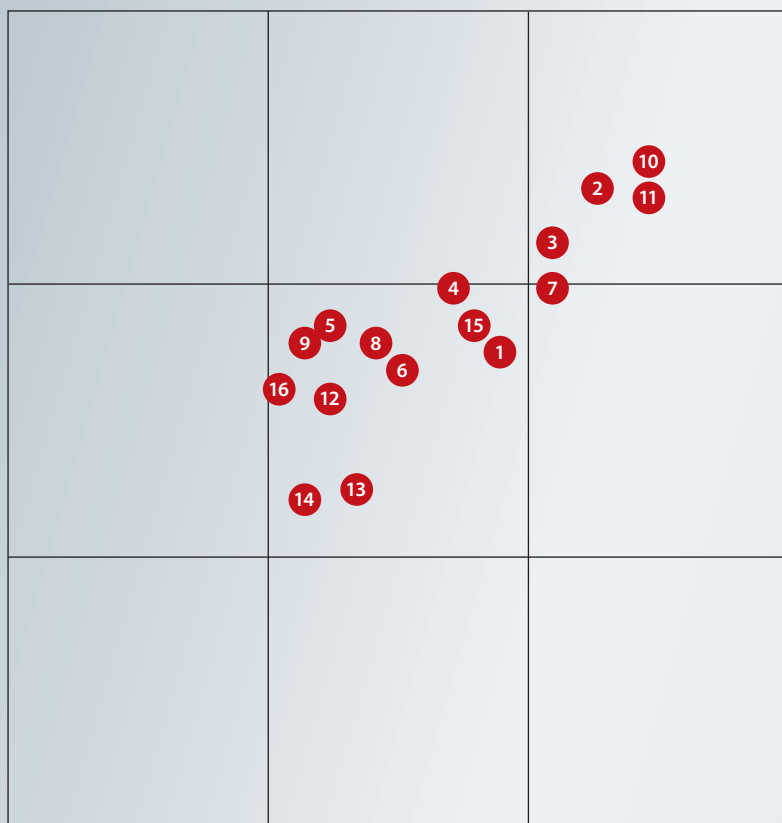
A number of ongoing activities will continue in 2015 including:

- Due diligence activities with respect to human rights and anti-corruption
- Reporting on the content of conflict minerals in products



MATERIALITY ASSESSMENT

IMPORTANCE TO STAKEHOLDERS



IMPORTANCE TO DANFOSS

NO ENERGY EFFICIENT DANFOSS

- 1 Energy Efficient Business
- 2 Energy Efficient Products
- 3 Advocacy

PRODUCT COMPLIANCE AND TRANSPARENCY

- 4 Product Compliance
- 5 Resource Efficiency
- 6 Product Life Cycle
- 7 Sustainable Sourcing

ENVIRONMENT, HEALTH & SAFETY

- 8 Health & Safety
- 9 Environment

ETHICAL BEHAVIOR

- 10 Anti-Trust
- 11 Anti-Corruption
- 12 Human Rights
- 13 Diversity
- 14 Data Privacy
- 15 Ethical behavior
- 16 Community Engagement



Organization and management

Roles and responsibilities

The distribution of roles and responsibilities in Danfoss' sustainability program is consistent with Danfoss' general governance and risk management principles.

- Danfoss' Board of Directors and Executive Committee have overall responsibility and define the framework for the Company's sustainability efforts.
- Danfoss Risk & Compliance Committee has the overall responsibility for ensuring an effective enterprise risk management program and effective compliance programs for selected areas.
- Danfoss' Group sustainability function is responsible for defining and implementing Danfoss' global program, Group targets, and activities for sustainability and corporate citizenship. This also includes preparation of guidelines and instructions, and coordinating activities across the Group. The function is also responsible for reporting on sustainability and corporate citizenship.
- All people managers are responsible for ensuring that their areas are aware of and comply with Danfoss' rules and guidelines. In addition, all factory managers are responsible for environmental and health and safety activities at individual sites, which also include appointing people with responsibility for day-to-day environmental and health and safety tasks, and to participate in knowledge and experience sharing across the Group.
- All employees are responsible for ensuring that they are aware of and comply with Danfoss' rules and guidelines. Furthermore, all employees have a duty to report any breaches of Danfoss' rules and guidelines that they may become aware of or have reason to suspect.
- In specific areas, it is the responsibility of Danfoss' corporate risk management and compliance function to follow up on compliance with guidelines and relevant programs. The function is also responsible for the internal AskUS-function and the Danfoss Ethics Hotline, with an external company accepting and keeping records of reports on any breaches of Danfoss' rules.
- Danfoss has set up an Ethics Committee to deal with violations of Danfoss' ethical guidelines and, if necessary, to submit them to the Danfoss Board of Directors.
- Danfoss' internal audit function also performs unannounced inspections to ensure compliance with the ethical guidelines and legislation in special areas, such as anti-corruption.

Policies, efforts and achievements

This part of the report documents policies, efforts and achievements in 2014 in Danfoss' four sustainability focus areas and other important areas aimed at improving Danfoss' sustainability results.

The four focus areas in Danfoss' Sustainability Program are:

- Ethical Behavior
- Product compliance and transparency
- Energy-efficient Danfoss
- Environment, Health and Safety

Ethical behavior

Policies and guidelines

Danfoss has established guidelines to supplement legislation governing how Danfoss acts in ethical matters. The primary rules include:

- Danfoss' Business Conduct (overall policy)
- Danfoss' Ethics Handbook
- Danfoss' Anti-Corruption Manual
- Danfoss' Competition Compliance Manual
- Danfoss' standard on risk management

Ethical behavior

Companies operating globally may unintentionally risk causing or contributing to violations of human or labor rights. Such violations may occur through the business' own activities or indirectly through its supply chain.

In 2014, Danfoss updated the Danfoss Ethics Handbook. It sets out guidelines for responsible behavior which all employees and managers must observe. The updates are based on the experience gained from the practical use of the ethical guidelines. The updated Ethics Handbook was also distributed to all Danfoss Power Solutions' employees in 2014.

Compliance

Danfoss wishes to maintain and continually improve its reputation as a company that conducts itself properly and responsibly. This means that Danfoss will do its utmost to live up to its legal and ethical responsibilities. As a global enterprise, Danfoss supports the growing international focus on regulation and legislation in areas such as anti-corruption, competition law, export control, and good business ethics. Better regulation across the globe would help ensure a level playing field, which would be a huge advantage for a company like Danfoss. For this reason, Danfoss is strongly focused on compliance with current rules and legislation, and the Group has established internal programs and control mechanisms to minimize the risk of rule violations.

Training and compliance follow-up

Compliance efforts are based on an extensive program of prevention based on employee training and clear rules and guidelines. Follow-up procedures to verify the effectiveness of such rules form an integral part of internal controls and audits at Danfoss, as do spot checks conducted by the company's internal auditing function.

Danfoss has compliance programs in a number of areas. A special focus in 2014 was the roll-out of the Competition law compliance manual in the organization including the Power Solutions segment. It was mandatory for employees who are in connection with business partner or industry organizations to attend respective training program (eLearning) and pass a test at the end of the course. As part of the competition compliance program also a dawn-raid manual has been released and implemented.

30

Employees left
Danfoss in 2014
due to unethical
behaviour

Danfoss' focus areas



ETHICAL
BEHAVIOR



PRODUCT
COMPLIANCE &
TRANSPARENCY



ENERGY
EFFICIENCY



ENVIRONMENT,
HEALTH &
SAFETY

Furthermore, as part of the Export Control program, processes have been established regarding product screening which deals with identification of possible dual use products within the portfolio of Danfoss.

In 2015, Danfoss will roll-out the Export Control handbook and a respective training program.

In terms of the anti-corruption compliance program, Danfoss will extend its activities to include third party due diligence to ensure proper and responsible business conduct.

Ethics Hotline and AskUs query function

In order to ensure ethical behavior, Danfoss has established a whistleblower function called the "Ethics Hotline", where employees can report suspected breaches of internal guidelines anonymously and without involving a manager. The Ethics Hotline has been functioning since 2008 and as of 2014, Danfoss Power Solutions has also been comprised by it.

As of 2012, Danfoss has had a query function called "AskUs", where the Group's employees can find answers to any questions and doubts they may have regarding ethics and compliance. The purpose of AskUs is to minimize uncertainty among the Group's employees and prevent unintended non-compliance. So far, more than 150 queries regarding ethical dilemmas have been put forward to AskUs.

Ethics e-lesson

During 2014, a new version of Danfoss' ethics e-lesson has been developed. The mandatory e-lesson will be rolled out to all 3,000 people managers in Climate & Energy and Power Solutions in 2015. The purpose of the e-lesson is to enhance ethical decision-making and therefore, the main content of the e-lesson is based on real dilemmas that have been sent to AskUs. Hereby we ensure that managers are trained in the practical use of Danfoss' Ethics Handbook. The dilemmas have been altered in order to avoid resemblance with real cases.

Ethics cases

A total of 30 employees left Danfoss in 2014 due to unethical behavior. The figures include both dismissals and voluntary resignations connected with ethical issues and as of 2014, the figures also include Danfoss Power Solutions. The number of dismissals due to unethical behavior was 31 in 2013 and 47 in 2012.

The 30 dismissals and voluntary resignations in 2014 can be divided into the following categories: Theft and unethical handling of company resources (3), attempted bribery (2), fraudulent travel expense settlements, forging of documents or attempted embezzlement (5), conflicts of interest (10), abuse of alcohol or drugs (1), violent behavior, harassment or discrimination (3), violation of company policies (2), manipulation of time reporting (2) and other causes (2).

The number of dismissals for unethical behavior is based on information from Danfoss' Ethics Hotline and a People Manager survey sent to all 3,000 people managers. A total of 86% of the managers responded to the survey, stating the number of dismissals due to unethical behavior. The data have been audited internally, so that double-reporting has been avoided.

Human Rights Risk Assessment

The UN has issued guidelines ("Guiding principles") for how businesses should ensure that they are not complicit in human rights abuses. The UN Guiding Principles require that companies conduct a human rights due diligence to ensure that they do not have any potential or actual negative impact on human rights, either in their own operations, in the supply chain, or through business partners.

In 2013, Danfoss carried out a due diligence process in all its companies in the Climate & Energy segment in order to identify any risks associated with the company's activities. The due diligence process was carried out in the form of

IDENTIFICATION OF RIGHTS	SCENARIO IDENTIFICATION	SEVERITY ASSESSMENT	PRIORITIZATION	MANAGEMENT REVIEW
Human Rights Identify the relevant human rights within the scope Vulnerable Groups/ People Identify whether the identified scenarios affect vulnerable groups	Identify potential scenarios where human rights are likely to be affected using the following methods: <ul style="list-style-type: none"> • International standards review • Peer reviews • Country/region reports • Industry guidelines • External stakeholder engagement • Internal stakeholder interviews • Workshops 	Assess the likelihood and impact of each scenario	The tool will generate a heat map of the severity of the identified human rights scenarios	Management must discuss the outcome of the assessment and its implications, and take action towards remediation, mitigation, policy change, and communication where relevant

Source: KPMG P/S

an extensive questionnaire, the annual global HuR survey, on human rights and labor rights which was sent to all Group companies. A process to identify any potential risks in relation to human rights abuse at Danfoss Power Solutions will be carried out in 2015.

In 2014, Danfoss has conducted a human rights risk assessment in Russia and India. Danfoss has production, sales, administration, support functions and suppliers in both countries. The purpose of the assessments has been to get an overview of the potential and actual human rights risks related to doing business and having operations in the two countries. The findings from the assessments will be addressed in upcoming site visits.

The risk assessment has been conducted together with KPMG on the basis of a KPMG developed tool, Human Rights Risk Assessment Tool (HRRR tool), which is based on the UN Guiding Principles. The tool is an operational way of structuring and comparing information regarding human rights risks in specific contexts. The result of the risk assessment process is a thorough assessment and mapping of the human rights risks Danfoss faces in India and Russia.

Methodology

Human rights scenarios are identified through desk research on country and industry risks, i.e. human rights reports from India and Russia, together with reports specifically on risks in the electronic or manufacturing industries. To provide a more realistic picture and to take into account existing systems, procedures or policies, responses from Danfoss' annual global human rights survey have also been taken into account.

Finally, interviews with CSR and HR managers from India and Russia have been conducted in order to gain insights on how local management perceive the risk level in the respective

countries, and to learn how these risks are managed and mitigated. On the supplier side, results from third party audits have been used to highlight existing risks and code of conduct breaches. The process is outlined above.

Through the final risk assessment, the 10 most severe human rights risks are exposed. This gives Danfoss a solid point of departure for further advancing the efforts in mitigating human rights risks in the Indian and Russian operations.

In 2015, based on the human rights risk assessment tool, Danfoss aims to conduct another Country Assessment on Human Rights in a high risk country.

In connection with the Annual Report, all Danfoss sites have received a Responsibility Survey, which measures child labor, discrimination and community engagement. 91% of all sites have responded to the Responsibility Survey covering 91% of all employees in Danfoss. None of the sites use child labor. However, the 15-18 years-old are employed at three sites, most often as apprentices. All requirements regarding young people's work are met.

There were three cases of discrimination during 2014. Two of them concerned employees who filed discrimination cases against their workplace after they had been under disciplinary action or dismissed. One of the cases is still pending settlement; the other has been dismissed by the state, after an independent investigation concluded that discrimination had not occurred. The third case was reported internally to the local management who took immediate action. The employee in question was formally sent a warning letter and put under leadership development. Improvement progress is regularly reviewed with the top management."

Danfoss' focus areas



ETHICAL
BEHAVIOR



PRODUCT
COMPLIANCE &
TRANSPARENCY



ENERGY
EFFICIENCY



ENVIRONMENT,
HEALTH &
SAFETY

Product compliance and transparency

Policies and guidelines

Danfoss has established rules and guidelines to supplement legislation governing how Danfoss intends to act in matters related to environmental product legislation and transparency. They include:

- Danfoss Policy on Business Conduct
- Danfoss Sustainability Program – Product compliance and transparency
- Environmental Design Guide
- Corporate standard – compliance with RoHS
- Danfoss Negative List of chemicals and substances
- Danfoss conflict minerals-free policy

Conflict minerals

In 2010, the US Congress passed the Dodd-Frank Act, which requires listed US companies, starting in 2014, to report to the authorities if they use the so-called 3TG materials – Tin, Tantalum, Tungsten or Gold originating from the Democratic Republic of Congo or neighboring countries. The materials are primarily contained in electronic and electromechanical components, but also in some alloys that are sourced from Danfoss' suppliers.

Danfoss is not directly subject to the rules of the Dodd-Frank Act, but some of the company's customers require information about the origins of these so-called "conflict minerals". For this reason, Danfoss ensures that its customers receive the required information – to the extent Danfoss is able to obtain it – on the origins of materials from its suppliers.

In 2014, some 260 of Danfoss' suppliers were asked to specify the origin of conflict minerals in their products. Such information may determine whether the materials originate from so-called "conflict-free" smelters; a prerequisite for a product or a business being deemed "DRC conflict-free."

Often, there is a long way from the mines to the businesses that use components containing, for example, gold or tin, and the process of obtaining the required information from all suppliers can take several months.

At the end of 2014, about 56% of the 260 suppliers had responded to Danfoss' enquiry. This has led to the identification of several hundred of the smelting plants that process raw ore from the mines into metals to be used in the manufacture of components. 6 of the smelters source from the Democratic Republic of Congo or neighboring countries but they are all compliant with the assessment protocols from CFSI (Conflict-Free Sourcing Initiative) and therefore conflict-free.

ECO-design of products

Since Danfoss participated in a Danish research project called "EDIP – Environmental Design of Industrial Products" in the mid-1990s, the company has worked with environmental considerations during the design of new products. The methods vary between the divisions since they are greatly dependent on the type of product and the associated technologies. Each division or business unit has over the years developed its own design guidelines and tools based on a corporate guideline or the EDIP methodologies.

In 2014, as part of the Sustainability Program, Danfoss has developed a common ECO-design guideline for all its divisions. The guideline is in review and will be implemented starting in 2015. The guideline is based on the latest knowledge of ECO-design, taking into account relevant legislation as well as known upcoming requirements for Environmental Product Declarations.

Danfoss is in the process of testing a newly-developed setup for Environmental Product Declarations in one of its divisions. If the test is successful, the roll-out will be continued in all other divisions to ensure a one-company-one-way approach to environmental considerations during product design.

Energy-efficient Danfoss

Policies and guidelines

Danfoss has established rules and guidelines to supplement legislation governing how Danfoss intends to act in matters related to energy savings and climate. They include:

- Danfoss "3x25" climate strategy
- Danfoss Sustainability Program – Energy-Efficient Danfoss

Danfoss' climate strategy

Climate change involving drought and flooding, scarcity of resources, population growth and a number of other megatrends poses huge challenges for the world, and requires long-term, targeted work and investment. Danfoss is a global leader in energy-efficient solutions that lower energy consumption and reduce CO₂ emissions and thus help meet these challenges.

For this reason, it is natural for the company to seek to reduce the climate impact of its own activities. The Group's "3x25" strategy commits Danfoss to cutting absolute CO₂ emissions from its energy consumption, transportation of finished goods and business travel by 25%, and to increasing the proportion of CO₂-neutral energy it uses by 25%, by the year 2025, relative to its emissions in 2007.

The climate strategy is implemented through a number of measures and projects throughout the organization. Most important is the "Global Energy-Saving Project" managed by Danfoss Real Estate.

Caring for Climate

Danfoss was one of the first companies to sign the "Caring for Climate" initiative launched by the UN Secretary-General Ban Ki-moon in 2007. Danfoss sees "Caring for Climate" as an important framework for business leaders to advance practical solutions, and to help shape public policy as well as public attitudes. Caring for Climate is endorsed by nearly 350 companies from 65 countries, and Danfoss became a signatory in August 2007.

Danfoss is putting a price on carbon

In the lead-up to the UN Secretary-General's Climate Summit and the UN Climate Change Conference (COP21), to be held in December 2015, Danfoss is committing to align with the "Caring for Climate" Business Leadership Criteria on Carbon Pricing over time.

Danfoss furthermore supports the "Statement on Putting a Price on Carbon" initiated by The World Bank Group and the United Nations Global Compact to demonstrate strong global support and action towards pricing carbon.

The statement was launched at the UN Secretary-General's Climate Summit in New York in September 2014, and by supporting this statement, Danfoss will join a growing coalition worldwide taking the lead on putting a price on carbon.

Danfoss expects to include carbon pricing in the company's climate strategy and targets from 2015.

Danfoss supported the "Statement on Putting a Price on Carbon" and the "Business Leadership Criteria on Carbon Pricing" in September 2014.

Our climate ambitions

Danfoss is ambitious in the company's approach to combating climate change and see carbon pricing as a potential tool to increase the global focus on de-carbonization. Focus on carbon emissions reduction will incentivize businesses to strengthen their management of energy efficiency and climate investments.

Addressing climate change will be a mix of costs and investments, savings through energy efficiency and new business opportunities. It is therefore in our interest as a provider of energy-efficient solutions to support the global community to focus on carbon emission reductions. It is the aim of Danfoss to implement carbon pricing as an internal tool to drive investments in internal emissions-reducing measures within 2015.

Danfoss' climate strategy will be revised in 2015 to be aligned with the new commitments on carbon pricing as well as the climate targets published by the United Nations and the European Union.

CO₂ emissions and energy consumption

In 2007, Danfoss' total CO₂ emissions from energy consumption were approximately 180,000 tonnes, capping Danfoss' emissions in 2025 at 135,000 tonnes.

Danfoss' Sustainability Report 2013 listed the CO₂ emissions as 251,000 tonnes. A reporting error at a factory in India caused the figure to be incorrect and the figure for 2013 has therefore been corrected to 211,000 tonnes.

In 2014, Danfoss emitted 219,000 tonnes of CO₂ as a result of its electricity and heat consumption compared to the 211,000 tonnes in 2013. The sources were both scope 1 emissions (its own plants for the generation of power and heat) and scope 2 emissions (purchase of power and heat from external sources).

The increase was attributable to an increase in electricity consumption in the Chinese factories by 21% and an increased share of fossil fuels in the Danish electricity mix causing the emission per kWh in Denmark to increase by 17%.

The CO₂ emissions in the remaining parts of the Group fell due to a number of energy saving projects.

Danfoss' electricity consumption accounted for 80% of the Group's total CO₂ emissions in 2014, corresponding to 182,000 tonnes. Heating contributed 37,000 tonnes of CO₂ emissions.

25%

Reduction of
Danfoss' CO₂
emissions is
required before
2025

Danfoss' focus areas



ETHICAL
BEHAVIOR



PRODUCT
COMPLIANCE &
TRANSPARENCY



ENERGY
EFFICIENCY



ENVIRONMENT,
HEALTH &
SAFETY

20%

Reduction in gas consumption in Nordborg facility due to renovation projects

2.2 GWh

CO₂ neutral energy produced by Danfoss' solar power plant in 2014

In 2014, Danfoss consumed electricity amounting to 395 million kWh compared to 386 million kWh in 2013. The energy consumption for heating was 196 million kWh in 2014 compared to 223 million kWh in 2013.

Danfoss' total energy consumption fell by 2.3% to 591 million kWh.

The consumption of electricity represented 67% of Danfoss' total energy consumption in 2014 but counted for 83% of the CO₂ emissions. Of the total electricity consumption, 16% came from renewable sources such as solar, water, wind and biomass. Electricity from nuclear power plants accounted for 15% of the Group's consumption, and the rest derived from fossil sources such as coal, oil and gas.

Consumption of energy for heating fell by 12% relative to 2013 due to a similar reduction in the Group's consumption of natural gas. Only 1% of the energy used for heating in 2014 came from renewable sources and 86% came from natural gas.

Global energy-saving projects

In 2014, Danfoss continued its efforts to reduce energy consumption at its 15 largest factories to achieve a significant reduction of energy consumption by 2015. The 15 factories represent a third of the energy consumption in Danfoss globally. 73% of the energy used in the 15 factories is electricity and the rest is heating.

The energy-saving projects will initially focus on energy consumption in buildings whereas the energy used for production processes will be strengthened from 2015.

Danfoss expects the energy-savings projects to cut 12% in the participating factories. The savings are expected to be around 20,000 MWh for heating and 15,000 MWh electricity. This will cut approximately 15,000 tonnes off the Group's CO₂ emissions per year. In 2014, Danfoss initiated more than 100 projects at the 11 sites currently in the program.

Danfoss has in 2014 invested heavily at the factory in Nordborg, Denmark to improve the energy effectiveness of buildings and technical installations.

The effect of the efforts is a 20% reduction in gas consumption primarily due to the renovations projects. The lower gas consumption has led to a reduction in the factory's CO₂ emissions from heating by approximately 3,200 tonnes.

Establishing solar power plants

Every hour that the sun shines at Danfoss' headquarters in Nordborg, Denmark, kilowatts are being generated for the power network. Danfoss' new green landmark – the solar cell park – has produced power since the end of December 2013. And since the summer of 2014, a new solar cell system at Danfoss' Campus in Chennai, India, is also producing electricity. The systems' capacities are 2,000 kW and 1,000 kW respectively, and will supplement the electricity supply to the factories and offices.

Many of the energy improvements carried out by us are often invisible to the public because they take place inside the technical control rooms of the buildings. With the solar cell park, Danfoss has chosen to renew part of its power network with green, renewable electricity.

The solar panels mounted on the field next to the headquarters in Denmark – around 9,200 of them – take up the space of the equivalent of more than five soccer fields. They are connected to 128 inverters, type FLX 15 Pro, which is produced by Danfoss Solar Inverters at the factory in Nordborg.

The solar park in Nordborg produced more electricity than expected in 2014 and ended up producing 2,200 MWh CO₂ neutral energy.

In India, the construction of the solar cell park has taken place in connection with the creation of an entirely new campus. The buildings are being LEED certified which means that they live up to very specific requirements in terms of, for example, the water and electricity consumed in the buildings. LEED stands for Leadership in Energy and Environmental Design. The certification has been developed in the US, and is set to inspire contractors to build environmentally friendly buildings with low resource consumption.

CO₂ EMISSIONS FROM FREIGHT TRANSPORTATION



The Campus in Chennai is the first Danfoss production facility to have become LEED certified as proof that energy-efficient solutions have been applied. A wide range of Danfoss products have been installed, such as VLT® drives, Turbocor and Scroll compressors, as well as hydronic balancing valves.

The solar cells are placed on the roof of several of the factory buildings, and on a plot close to the driveway to the campus, and will deliver between 10-15% of the power, primarily for cooling, that is consumed by the factory during the course of 24 hours. In contrast to Denmark, where electricity is supplied to the power network, the electricity in India is used on the spot – meaning in the buildings on-site as it is produced.

Danfoss has committed to make use of climate-friendly technologies in the new building in Chennai, and they will all contribute to reducing the company's CO₂ emissions.

Both solar parks will have a payback time of around eight years.

CO₂ emissions from freight transportation

Danfoss' products are transported from the factories to the customers by truck, ship or aircraft. All of these transportation modes produce CO₂ emissions that contribute to global warming. Reducing CO₂ emissions from the transportation of finished products forms part of Danfoss' climate strategy, and also the Group aims to reduce emissions in this area by 25% by the year 2025.

Until 2014, Danfoss focused on optimizing transport by consolidating its logistics chain, reducing the number of carriers and optimizing the number of times we refuel the vehicles. These activities have contributed to a reduction in CO₂ emissions but more needs to be done.

In the second half of 2014, Danfoss started the implementation of a calculation tool which enables the company to monitor and calculate its CO₂ emissions from freight transportation. The tool gives Danfoss not only the ability to calculate the "as-is" impact of transportation by air, sea and land but also to simulate the "what-if" impact of changes in the transportation pattern.

Transportation activities in 2013 are used to create a baseline and 2014 data will follow at the beginning of 2015. 140,000 tonnes of goods were transported in close to 400,000 shipments by air, ocean and road in 2013 and the corresponding CO₂ emissions are calculated to 109,000 tonnes.

The figure shows the CO₂ emissions per main transport route: Denmark – China (20,000 tonnes), Denmark – USA (7,500 tonnes) and USA – China (10,000 tonnes). The widths of the lines indicate the amount of CO₂.

11% of the goods were transported by air but counted for 68% of the CO₂ emissions. 61% of the goods were transported by road and counted for 6% of the emissions and the remaining 28% of the goods and 26% of the emissions came from ocean transport.

Danfoss' focus areas



ETHICAL
BEHAVIOR



PRODUCT
COMPLIANCE &
TRANSPARENCY



ENERGY
EFFICIENCY



ENVIRONMENT,
HEALTH &
SAFETY

Environment, health and safety

Policies and guidelines

Danfoss has established rules and guidelines to supplement legislation governing how Danfoss intends to act in environmental and occupational health & safety matters. They include:

- Danfoss Policy for Business Conduct
- Danfoss Sustainability Program – Environment, health & safety
- Danfoss' Environmental standard (policy)
- Danfoss Health & Safety standard (policy)
- Danfoss standard for "Safety at the shop floor"
- Danfoss' Negative List of chemicals and substances
- Local Environmental, Health & Safety management systems
- Local and corporate guidelines

Our approach to environment, health and safety

For many years, Danfoss has worked systematically to reduce any negative effects of its activities. The focus has been on prevention and remediation of any undesired impact on the environment or our employees.

Danfoss' reputation as an environmentally-conscious, healthy and safe work place has been upheld through the establishment and maintenance of environmental and occupational health and safety management systems. All manufacturing sites must be certified to the ISO 14001 Environmental Management Standard and the Danish sites to the OHSAS 18001 Occupational Health and Safety Management Standard as well. This will be expanded to include all sites globally starting in 2015.

At 30 of the 38 factories in Danfoss Climate & Energy, environment and occupational health and safety activities are embedded in an environmental management system certified to ISO 14001. The factories that have not been certified are small factories which have been exempt from the rules.

All Danfoss Climate & Energy factories in Denmark, India and in Slovakia are also certified to OHSAS 18001.

Danfoss Power Solutions has 20 factories, 11 of which are certified to the ISO 14001 standard and 11 are certified to the OHSAS 18001 or a similar standard.

On the path towards world-class safety

In 2014, Danfoss initiated a global safety program – "Safety on the shop floor" which enhances the focus on safety in all factories around the world. The "Safety on the Shop Floor" project is led by Danfoss Business Systems and was launched

at the global EHS seminar held in May 2014 in Wrocław, Poland, where 60 employees from 15 countries working with safety, health, and environmental issues gathered for a week-long seminar.

By the end of 2014, safety shoes and safety glasses will be mandatory for anyone entering the shop floor in any Danfoss factory worldwide. Hearing protection will also be mandatory for employees working at machines with a high noise-level and secure walkways will have to be marked for pedestrians in all factories.

This is a clear signal that Danfoss aims for common, aligned and very high health and safety standards across Power Solutions and Climate & Energy, and these are only the first steps in a strengthened approach to health and safety across Danfoss.

The Power Solutions segment has already been using the new rules on safety glasses, safety shoes and hearing protection since January 2014, and the learnings from their implementation are shared with the Climate & Energy segment to optimize the results.

There are minimum requirements applying to four areas: pedestrian safety, visitor safety, personal protection equipment and safety as agenda item number one at production board meetings – the meetings where employees and work supervisors discuss quality and productivity on a daily basis.

Focus on safety pays off

In Commercial Compressors, Arkadelphia, USA, an online safety reporting system has been set up to enable immediate reporting of safety incidents, and work procedures which might cause an accident.

The initiative is one of several introduced in Arkadelphia over the past few years – and as a result, the factory has not seen a work accident since April 2012. This corresponds to more than a million hours without a single accident, which would otherwise have meant working days lost.

Other initiatives include blue lights on all forklifts in the factory, a red stop light at a particularly busy spot on the shop floor warning pedestrians of forklift traffic, and the creation of a team of First Responders. Each member wears a bright yellow vest and is trained to conduct first aid and to assist employees in case of safety concerns.

Safety is now so ingrained in everything the site does that the safety organization is reaching for two million work hours or more without accidents.

4.4

was the Danfoss
total Lost Time
Injury Frequency
in 2014

Work-related accidents

Danfoss recorded 165 Lost Time Injuries (LTI) resulting in at least one day's absence in 2014 (115 in the Climate & Energy segment and 50 in the Power Solutions segment). A Lost Time Injury is an incident that results in absence from work of one or more calendar days in addition to the day of the incident.

In 2007, Danfoss Power Solutions had 9.6 Lost Time Injuries per one million working hours. In 2014, that number had dropped to 4.3 due to the segment's high prioritization of safety among employees and leaders. At Danfoss Climate & Energy, the number of Lost Time Injuries was 7.7 in 2007 and 4.5 in 2014. Danfoss' total Lost Time Injury Frequency (LTIF) was 4.4 in 2014, versus 4.7 in 2013. The Lost Time Injury Frequency (LTIF) is the number of Lost Time Injuries per one million hours worked.

The injured employees were absent for a total of 2,458 days, corresponding to an average absence of 15 days per accident. This is a 12% reduction from 2013.

The Lost Day Rate in 2014 was 66 (the number of days with absence from work due to Lost Time Injuries per one million working hours). This is a reduction from 82 in 2013. The Severity of Injury Rate (SIR) is the number of lost hours due to Days Away Incidents per 1,000 working hours. This figure was 0.53 in 2014 and 0.65 in 2013.

Environmental impact

Danfoss takes responsibility for preventing pollution and removing any unwanted environmental effects, and obtaining ongoing and measurable improvements of the environment. Danfoss focuses on this through the monitoring of the consumption of materials, chemicals, energy and the generation of waste and waste water; thereby minimizing the environmental impacts of the company's operation.

Due to the fact that in 2013, Danfoss gained full ownership of Sauer-Danfoss, now renamed Danfoss Power Solutions, information and data from the business segment is now included in this section. This means that the 2014 figures cannot immediately be compared with previous periods. Previous periods are included in the explanations below, where relevant. Figures for Danfoss Climate & Energy are shown in brackets.

Water and waste water

In 2014, consumption of water for processes and sanitary purposes fell to 835,000 m³ from 841,000 m³ in the preceding year.

The discharge of industrial waste water remained unchanged from 2013. In 2014, waste water amounted to 182,000 m³, versus 183,000 m³ in 2013.

Raw and auxiliary materials

Consumption of raw materials used in Danfoss' finished products is shown in the table below. The figures reflect the fact that Danfoss is a business in the metal processing industry: three-quarters of all the materials used are metals.

HEALTH & SAFETY

	2013	2014
Lost Time Injuries	172	165
Lost Time Injury Frequency	4.7	4.4
Days of absence	3,039	2,458
Lost Day Rate	82	66
Severity of Injury Rate	0.65	0.53

In 2014, Danfoss changed the company's IT systems for resource and material planning which may have an advert effect on the accuracy of the raw material data. Many factories now report consumed rather than purchased amounts of raw materials as in previous years. A direct comparison of 2014 data to previous years is therefore not possible.

The use of raw materials grew by 11% due to an increased activity level in the Group.

The main cause for the decrease in electronics is a reduced consumption in one of the Chinese factories.

Chemical substances

In manufacturing its products, Danfoss uses a number of chemical substances which may be harmful to humans or to the environment. Danfoss continually aims to limit the use of such chemicals: if they cannot readily be omitted or replaced, Danfoss makes sure they are utilized as efficiently as possible, and that measures are taken to protect employees and the environment.

The global Danfoss Negative List is the cornerstone of the Group's efforts to reduce the use of harmful substances in processes, and to ensure that unwanted substances are used neither in production nor in the products. The List has been implemented in both Danfoss segments, and is regularly updated to include new legislation or changed requirements. Danfoss ensures that electronic updates are available to suppliers through a subscription service.

At December 31, 2014, approximately 20% of the suppliers of goods used in Danfoss products had subscribed to this service. Measures will be taken in 2015 to ensure that all the suppliers subscribe to the service.

The amount of CRAN substances (carcinogenic, allergenic or harmful to the reproductive system or to the nervous system) increased by 2.5% relative to 2013. The consumption decreased by 5% in Danfoss Climate & Energy while it grew 34% in Danfoss Power Solutions, amongst others due to an increased consumption of a CRAN classified coolant.

MATERIALS (TONNES)

	2013	2014
Metals	198,114	224,476
Plastic and rubber	8,260	9,345
Electronics	22,046	19,045
Packaging	21,366	22,618
Other raw materials	14,402	17,366
Cutting fluids	1,215	1,272
Cleaning agents	510	453
Total	265,914	294,464

WASTE (TONNES)

	2013	2014
Chemical waste	4,421	4,958
Waste for landfills	2,293	2,304
Waste for incineration	1,547	1,419
Metals for recycling	21,173	20,852
Cardboard/paper for recycling	2,551	2,258
Plastics for recycling	674	585
Electronics for recycling	726	384
Other waste	1,684	1,677
Total	37,174	37,437

SUBSTANCES (TONNES)

	2013	2014
CRAN	1,578	1,619
Toxic	225	212
Greenhouse gases	122	83
Environmentally dangerous	415	477
Chlorinated oils	107	109
Organic solvents	371	344

Other priorities

Diversity

Danfoss considers diversity among its employees to be an asset that brings with it competitive advantages as well as added creativity and innovation. In particular, Danfoss emphasizes diversity in its recruitment policy. When recruiting a new employee, the objective is to identify at least three qualified candidates that together represent diversity in terms of culture, nationality, gender and age. If two or more candidates are equally qualified, Danfoss will aim towards diversity among its employees and in the workplace in the final selection process.

Our "Behaviors in Action" were developed to place emphasis on key behaviors that will enable Danfoss to drive profitable growth. "Embrace Diversity" raises our focus on diversity and inclusion. One of the initiatives is a dedicated effort to raise the number of female managers throughout the Group. The Group's overall goal is to increase the percentage of women managers to 20% by 2015 from 18% in 2014 (Power Solutions 17% and Climate & Energy 19%), in order to ensure that the Group's managers increasingly reflect the diversity of the Danfoss workforce, of which 29% were women in 2014 (Power Solutions 26% and Climate & Energy 30%).

Responsible supplier management

Danfoss works systematically with risk assessment and supplier management. Since 2004, Danfoss has had a Code of Conduct for Suppliers that defines the Group's environmental and social requirements. All suppliers are required to sign the Code, and Danfoss performs regular supplier audits to verify compliance and to ensure that any non-compliance is addressed.

Danfoss works systematically to enhance standards in its supply chain. Sustained strong focus in 2013 and 2014 was on suppliers of goods used in Danfoss' production processes or directly in the products and on ensuring that previously audited suppliers resolve any issues identified in a satisfactory manner. New suppliers and suppliers that relocate are also audited.

In order to ensure that Danfoss' supply chain efforts prioritize areas where the Company has the most influence, Danfoss has adapted its risk assessment model that forms the basis of the measures at the individual supplier. The risk assessment includes the supplier's place of production, meaning that suppliers in areas posing the greatest risk of non-compliance are given the highest priority. The model also emphasizes preferred suppliers rather than, as previously, the value of purchases made from each supplier, which ensures that focus is centered on the suppliers that will continue to be suppliers to Danfoss.

To ensure that all of Danfoss' employees, in contact with suppliers, are familiar with Danfoss' Code of Conduct, and the division of responsibilities in this area, Danfoss' Code of Conduct Competence Center conducts training on

an ongoing basis. The training is divided into multiple modules, primarily in the form of online training. In 2014, 77 employees completed the training.

In 2014, an additional 639 Danfoss suppliers are covered by a signed Code of Conduct, and 98 audits were conducted to verify supplier compliance with the guidelines, of which 32 were first-time audits and 66 follow-up audits. Follow-up audits were generally conducted to follow up on matters such as inadequate safety precautions, including lack of emergency exits and fire extinguishing equipment, lack of personal protection equipment, incorrect handling and storage of hazardous chemicals and the discharge of waste water.

A new measuring method of Code of Conduct compliance has been introduced. It measures the percentage of spend in compliance and makes it possible to develop an overall compliance percentage for a supplier, regardless of how many locations the supplier has and the locations' individual compliance status.

At the end of 2014 the CoC Compliance of the TOP80 suppliers is 61%.

Stakeholder relations

Danfoss seeks to engage actively with its employees, managers and external stakeholders such as NGOs, authorities and customers. This enables Danfoss to adapt its processes and tools to match both the requirements of the global community and any developments in countries and areas where Danfoss operates.

Such engagement with stakeholders helps Danfoss to be aware of the framework conditions for business operations in countries where Danfoss operates. Danfoss considers information on new legislation, new initiatives from organizations, and the Group being challenged on attitudes and policies to be a natural and necessary part of meeting its global challenges.

In the context of its new Sustainability Program, Danfoss intends to engage even more effectively with stakeholders, including customers and decision-makers.

Community engagement

Danfoss supports a number of initiatives in the local communities in which the company has factories or sales offices. The company is an active partner in the local community through sponsorships, involvement in trade organizations and groups, and through participation in social work.

Rural colleges – sustainable livelihoods

Danfoss India has established its new office campus in Oragadam, a village where agriculture is the main employment. There is a lack of experienced labor within the local refrigeration and air-conditioning industry, so one of the projects concerning sustainable livelihood has been about bridging industry and community skill gap.

Danfoss has tied up with Rural Community Colleges and government polytechnics and has set up vocational training courses in refrigeration and air-conditioning.

Danfoss India has established a learning center at the new campus where students and teachers are invited for industry visits and trainings. A "Train the trainer" program has also been established. This is a win-win: Local people are educated in refrigeration, and they are trained in Danfoss' technologies. Some of them are the first to have education and industrial employment in their families.

Under the Danfoss India CSR initiative 'Joy of Giving', a training room & lab have been donated to a rural college near Pondicherry in January 2014. This will help in extending support towards creating a sustainable livelihood for school drop-outs from economically challenged backgrounds in the local community, and will also help address the skills gap in the Indian Refrigeration and Air Conditioning industry.

The new classroom and lab area is well equipped with modern infrastructure, Danfoss RAC products, cut-sections, working models, tool kits, e-learning station & other learning essentials like tool kits, posters, study manuals, product stand, etc. This is expected to benefit a minimum of 200 students per institution over a period of 3 years. The last batch of students found 100% placement and the admissions for the current year has increased two-fold by word of mouth.

Danfoss will also provide internships and scholarships to select students as part of the next phase of engagement, thus helping in providing sustainable livelihood through skill development. Danfoss India was recognized by Ministry of Denmark and IFU as runner-up for the "CSR Abroad 2014 Award", in appreciation of the commendable community engagement work done by a Danish organization in a developing country.

Danfoss employees helping people in need

At various sites, Danfoss employees have voluntarily organized aid projects in emergency situations in 2014. Due to the critical situation in Ukraine Danfoss employees in Kolding, Denmark, started a collection amongst colleagues. Boxes of clothes, toys, shoes and other necessities were sent to people in hard-hit areas of Ukraine.

The Balkan countries in southern Europe experienced severe flooding in 2014. Danfoss employees in Serbia and Croatia raised DKK 43,000 for people in need in Serbia and the amount was doubled by Mads Clausen's foundation. The money was donated to the affected municipalities and to Red Cross Serbia.

The Fabrikant Mads Clausen Foundation

The Fabrikant Mads Clausen Foundation was established by the founder of Danfoss in 1960. The purpose of the Foundation is to provide support to charitable projects in Denmark and abroad. Initially, support was primarily provided in the local community near the factory in

Nordborg. However, in line with the expansion and globalization of Danfoss, the support area has increased, and today it also includes some of Danfoss' other locations in Denmark and abroad. The Foundation provides financial support for training, research, sports, the arts, culture and various charitable organizations.

In 2014, the Fabrikant Mads Clausen Foundation distributed DKK 8.7m to more than 300 recipients, among them a large number of organizations and institutions in Danfoss' local community, including schools and universities, hospitals, sports clubs, scout groups, pensioners' associations, institutions for the disabled, and museums, choirs and orchestras.

Several large donations of DKK 100,000 or more were made in 2014. The money went to education projects, equipment for sports clubs and various cultural projects. The largest donation, DKK 0.9 m went to maintenance of Havnbjerg Mølle.

Young Scientists received a three-year donation totaling DKK 450,000. Young Scientists is a competition among talented elementary and secondary school pupils with an interest in science and engineering. Supporting Young Scientists, the Fund aims to motivate young people to get a degree in science, such as engineering.

In Southern Jutland, 2014 was characterized by events to mark the 150th anniversary of the battle of Dybbøl Banke in 1864, where Denmark lost its southern duchies to Prussia. The Fund donated DKK 100,000 to both the History Centre Dybbøl Banke to support the production of a film about the war of 1864, and to Sønderborg Commercial and Tourist Center for a 3D light show at Sønderborg Castle.

The Maritime Museum in Flensburg, Germany, also received DKK 100,000. This donation supported the establishment of modern information kiosks with mobile apps, which guide the listener on a maritime history tour of the city.

The Danfoss Employee Foundation

The Danfoss Employee Foundation is a social foundation which works to provide consultation and financial support to employees in Danfoss A/S, the Bitten and Mads Clausen Foundation, associated companies in Denmark and their Danish subsidiaries.

In 2014, the foundation considered about 300 applications. Many of these applications concerned poor financial situations caused by divorce or dissolved relationships. In 2014, many employees also applied for help in connection with church confirmation of their children, stays at boarding schools and Christmas. The foundation also provided financial support for vacations to the benefit of many families with children.

The foundation granted total financial support of approximately DKK 3.1 m in 2014. The Employee Foundation's legal aid system, which ensures that legal assistance is available to all employees, handled approximately 150 requests.

Our approach to sustainability reporting

This sustainability report has been prepared in accordance with the principles of the UN Global Compact Initiative, and describes Danfoss' policies, goals and efforts and the results of its work with human rights, labor rights, the environment and anti-corruption.

Every year, Danfoss collects data on the sustainability efforts and results of all its factories. The data is used in preparing the sustainability report and defining priorities for continued efforts. Furthermore, data on key parameters is collected on a quarterly basis for use in Danfoss' quarterly financial reports.

This report includes all companies within the Danfoss Group, in which Danfoss exercises a controlling influence. Data from Danfoss Power Solutions is included from the 2013 sustainability report. From 2014 onward, data from Danfoss Power Solutions is also being integrated in the quarterly reporting.

Annual environmental and occupational health and safety data is primarily collected through Danfoss' financial systems. Environmental and climate data is collected from all factories with more than 20 employees and whose volumes of energy, raw materials, chemicals and waste exceed 1% of the Group's total volume. All factories, irrespective of size, will contribute information about energy consumption and occupational health and safety; companies with sales activities alone do not contribute environmental data.

Online questionnaires are used to collect data relating to human rights, labor rights, anti-corruption, local commitment and stakeholder relations from all Group

factories and sales companies. Information about employee dismissals for unethical conduct is collected through the Danfoss Ethics Hotline and via an online questionnaire sent to all people managers. The data is subsequently filtered for double entries.

In addition to preparing a sustainability report, Danfoss has reported its climate activities and greenhouse gas emissions to the Carbon Disclosure Project's Supply Chain program since 2009. The report is available at www.cdp.net.

Danfoss' sustainability reports were verified by an external third party until 2011, and this report is prepared in accordance with the principles applying at that time. For this reason, Danfoss believes that the sustainability report still provides an accurate, true and fair view of the company's efforts.

Danfoss follows up on reported data when necessary by carrying out inspections to check on the company's handling of environmental, social and ethical issues and to improve communication with local management about sustainability activities.

We welcome any feedback and dialogue in regard to this sustainability report. Please forward comments and questions to sustainability@danfoss.com.



ENGINEERING
TOMORROW

