

# Sustainability **program**

## Sustainability at Danfoss

In 2002 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.

Acting responsibly has been a natural element during our long history. Sustainability is fundamental for us and sustainable results are an important element in Danfoss Core & Clear strategy. We believe that balancing financial, environmental and social issues creates the greatest and most sustainable value for all our stakeholders.

Danfoss' ambition is to make sustainability an integrated element of our business based on the following drivers:

- Opportunity - Exploit business opportunities
- Resource efficiency – Reduce costs and optimize resources
- Risk mitigation - Improve compliance and mitigate risk
- Reputation - Improve reputation
- Engagement - Attract, motivate and retain employees

## Danfoss Sustainability Program

Danfoss has defined a new sustainability program that combines its current and new sustainability initiatives. During its implementation period from 2014 to 2017, this program will guide our work in a stronger and more focused Group-wide context, while at the same time setting out clear goals for our work in a number of focus areas. During 2014 to 2015 the program will prioritize the following areas:

- Energy efficient Danfoss
- Product compliance and transparency
- Health and safety
- Ethical behavior

We are in the process of defining specific targets and actions within these focus areas and look forward to inform more about this soon.

In addition hereto we will continue our activities within other important areas, such as

- Human rights
- Responsible sourcing
- Ressource efficiency
- Community engagement

## Materiality Assessment

Using a systematic selection process (materiality assessment) Danfoss has identified the key areas to be addressed in the Group's sustainability program. The materiality assessment has been validated in a process with key stakeholders including management and employee representatives.

The figure illustrates the key areas as determined by 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).



Subjects indicated by squares are defined as focus areas for 2014 and 2015.  
 Subjects indicated by diamond shapes have already been initiated or are ongoing.  
 Subjects indicated by triangles are to be addressed from 2015

## Roles and Responsibilities

Roles and responsibilities in Danfoss' sustainability program are aligned with Danfoss' general governance and risk management principles.

- Danfoss' Board of Directors and Executive Committee have the overall responsibility and define the framework for the Danfoss' sustainability efforts.
- Danfoss' group sustainability function defines and implements Danfoss' global sustainability program, including guidelines and instructions and coordination of activities across the Group.
- All people managers ensure that their reports are aware of and comply with Danfoss' rules and guidelines, e.g. within environmental issues and health and safety.
- All employees ensure that they are aware of and comply with Danfoss' rules and guidelines. All employees have a duty to report any breaches of Danfoss' rules and guidelines they may become aware of or have reason to suspect.
- Danfoss' group risk management and compliance function follows up on compliance with guidelines and compliance programs. The function is also responsible for the Danfoss whistle-blower function called Danfoss Ethics Hotline.
- Danfoss' Ethics Committee deals with violations of Danfoss' ethical guidelines.
- Danfoss' internal audit function performs unannounced inspections to ensure compliance with the ethical guidelines and legislation in special areas such as anti-corruption.

## Stakeholder Relations

Danfoss seeks to engage actively with our employees, managers and external stakeholders such as customers and suppliers, media, legislators and NGOs. This enables Danfoss to prioritize and adapt our processes and tools to match the requirements of our businesses, the global community and developments in countries and business areas where Danfoss operates.

Being challenged on our attitudes and policies we consider a natural and necessary part of dealing with global challenges and living up to our commitments as a global business. Thus, we wish to engage actively with our stakeholders and we welcome any questions, comments and constructive ideas to how we can improve our impact and influence and thereby contribute to global sustainable development.