



## **Independent limited assurance report on Danfoss A/S' baseline emissions from scope 1 and 2 for the 12 month period ended 31 December 2019**

### **To the executive management of Danfoss A/S**

Danfoss A/S engaged us to provide limited assurance on the baseline emissions from scope 1 and 2 for the 12 month period ended 31 December 2019 stated in the appendices attached to this report (the "Performance data").

### **Our conclusion**

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the baseline emissions from scope 1 and 2 for the 12 month period ended 31 December 2019 of Danfoss A/S are prepared, in all material respects, in accordance with the applied accounting policies developed by Danfoss A/S as stated in Appendix A: accounting policies for Danfoss A/S' baseline emissions from scope 1 and 2 (the "accounting policies").

This conclusion is to be read in the context of what we state in the remainder of our report.

### **What we are assuring**

The scope of our work was limited to assurance over the baseline emissions from scope 1 and 2 for the 12 month period ended 31 December 2019 of Danfoss A/S stated in Appendix B.

### **Professional standards applied and level of assurance**

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Our independence and quality control**

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and ethical requirements applicable in Denmark.



PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

### **Understanding reporting and measurement methodologies**

The Performance data needs to be read and understood together with the accounting policies. The accounting policies used for the preparation of the accounting policies stated in Appendix A, which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw to evaluate and measure the Performance data allows for different, but acceptable, measurement techniques and can affect comparability between entities, and over time.

### **Work performed**

We are required to plan and perform our work in order to consider the risk of material misstatement of the Performance data. In doing so and based on our professional judgment, we:

- Evaluated the appropriateness of the accounting policies used (appendix A), their consistent application and related disclosures (Appendix B).
- Obtained an understanding of the reporting processes for the Performance data, including obtaining a general understanding of internal control relevant to our limited assurance engagement.
- Made inquiries and conducted interviews with Danfoss A/S' management with responsibility for management and reporting of the Performance data to assess reporting and consolidation process, use of company-wide systems and controls performed;
- Obtained assurance evidence that the Performance data reconciles with underlying records of the company;
- Performed limited substantive testing on a sample basis to underlying documentation and evaluated the appropriateness of quantification methods and compliance with the accounting policies for preparing Performance data and in relation to selected Danfoss A/S reporting sites;
- Performed analytical review and trend explanation of the Performance data.
- Evaluated the evidence obtained.

### **Management's responsibilities**

Management of Danfoss A/S is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of the Performance data in the attached appendices that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing the Performance data;
- Measuring and reporting the information in the Performance data based on the accounting policies; and
- The content of the Performance data.



### **Our responsibility**

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Performance data for the year are prepared, in all material respects, in accordance with the accounting policies;
- Forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- Reporting our conclusion to the executive management of Danfoss A/S.

Hellerup, 11 May 2023

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 3377 1231

A handwritten signature in blue ink that reads 'Mads Melgaard'.

Mads Melgaard  
State Authorised Public Accountant

A handwritten signature in blue ink that reads 'Soomi Do'.

Soomi Do  
Chartered Accountant (ACA)



## **Appendix A - Accounting policies for Danfoss A/S' baseline emissions from scope 1 and 2**

### **Consolidation and scope of reporting**

The scope 1 and 2 GHG emission calculation encompasses consolidated data from the parent company, Danfoss A/S (Danfoss), and subsidiaries controlled by Danfoss.

Scope of reporting is covering all Danfoss locations.

GHG emissions are calculated in accordance with the GHG Protocol. The consolidation of GHG emissions follows the operational control approach, which implies that all locations where Danfoss has operational control are included in the scope 1 and 2 figures.

Data from associates, joint ventures and other capital interests are not included. Data from mergers and acquisitions are included from the reporting year after finalization of transaction. This applies for the newly merged SEMIKRON business, where Danfoss will include environmental performance data from 2023. In case of divestments in the reporting year, the data are included until the transaction date. The 2019 baseline includes Danfoss acquisition of Eaton Hydraulics business in August 2021 (2019 emissions data), it's also corrected for the divestment of White Drive business (2019 emissions data) and for Danfoss exit from Russia in 2022 (2019 emissions data).

### **General considerations**

Primary data on scope 1 and 2 GHG emission constitutes the largest proportion of the emissions data. This includes data from digital and manual meter readings and consumption data from invoices.

For the part of Danfoss locations where no consumption and emission data are available, average consumption values per m<sup>2</sup> have been applied to estimate energy consumption and GHG emissions. For 2019 this amounts to 8% of total scope 1 and 2 emissions (location-based).

If available, calculations of GHG emissions are based on emission factors from invoices from energy suppliers. Otherwise, the most recent available emission factors from the International Energy Agency (IEA), are applied. For 2019 emissions, factors from 2018 were used. All GHG emissions are converted to CO<sub>2</sub> equivalents (CO<sub>2</sub>e).

### **Scope 1 GHG emissions**

Scope 1 GHG emissions includes direct emissions from combustion of gas and oil, filling media and mileage in Danfoss owned or controlled vehicles. Emission factors from IEA have been applied. For 2019 emissions, factors from 2018 were used.

### **Scope 2 GHG emissions (location-based)**

Scope 2 GHG emissions (location-based) include indirect emissions from purchased heating and electricity. Location-based emission factors from IEA have been applied. For 2019 emissions, factors from 2018 were used.



**Scope 2 GHG emissions (market-based)**

Scope 2 GHG emissions (market-based) include indirect emissions from purchased heating and electricity. Emission factors from IEA have been applied. For 2019 emissions, factors from 2018 were used.



**Appendix B - Danfoss A/S' baseline emissions from scope 1 and 2 for the 12 month period ended 31 December 2019**

<b>Scope</b>	<b>2019 (CO<sub>2</sub>e metric tons)</b>
Scope 1 GHG emissions	114,539
Scope 2 GHG emissions (location-based)	304,577
Scope 2 GHG emissions (market-based)	304,577