

# Welcome to your CDP Climate Change Questionnaire 2020

## C0. Introduction

### C0.1

#### **(C0.1) Give a general description and introduction to your organization.**

With leading expertise in refrigeration and air conditioning, controls for electric motors, heating systems for buildings and cities, and hydraulic solutions to power agricultural and construction machinery, our impact can be felt everywhere.

Quality, innovation and reliability are rooted in our DNA. Our technologies and products can be trusted to push the boundaries for what is possible, deliver exceptional performance and answer the real needs of our customers.

We see opportunities everywhere – from feeding a growing population, to saving energy, to letting everyone enjoy a more comfortable, better quality of life. We aim to rise to ever more complex challenges and, through knowledge and hard work, engineer solutions that achieve more with less.

This is what drives us. To realize more of the potential of this amazing world. And engineer the dreams of tomorrow, today. Our ambition is to realize the vast potential for better infrastructure, improved food supply, higher energy productivity and more climate-friendly solutions. For our customers, we aim to deliver unprecedented quality, reliability and innovation in everything we do.

#### **Danfoss Power Solutions**

Danfoss Power Solutions is one of the world's leading players in the mobile hydraulics market. The segment covers three divisions: Hydrostatics, Work Function, Controls, as well as some stand-alone businesses. Within each division, the segment plays a leading role in R&D, design, manufacture and sale of innovative and performance-enhancing hydraulic and electronic systems and components. The business segment is highly specialized in mobile hydraulics and provides world-class solutions for the construction, agriculture, and other off-highway vehicle markets.

#### **Danfoss Cooling**

Danfoss Cooling is the player in the air-conditioning and refrigeration industry with the most complete offering. The business segment is an industry frontrunner in energy efficient engineering, and strong application expertise within commercial refrigeration, industrial refrigeration, air-conditioning, and supermarket refrigeration.

With more than 10,000 components, including compressors, valves, sensors and switches, Danfoss Cooling provides its customers with innovative, energy-saving and precise control solutions.

#### **Danfoss Drives**

Danfoss Drives is a leading player in the market for low voltage AC drives. The key competitive advantage for Danfoss Drives is unique expertise and application knowledge, and Danfoss Drives is driven by passion to develop, manufacture and sell the best AC drives in the world and provide customers with efficient product lifecycle services.

AC drives are used, for example, in pumps, fans, elevators, escalators, conveyors and compressors. Danfoss Drives solutions also play a key role when energy is produced from renewable sources. Danfoss Silicon Power is also part of the Danfoss Drives segment. This business develops and manufactures power modules and stacks for a number of industries, like the automotive and wind industries.

**Danfoss Heating**

Danfoss Heating is a key player within the heating industry. The business segment is the leader in a number of advanced heating components and systems that deliver comfort, energy efficiency, and enhanced heating performance in residential and commercial buildings as well as in district energy systems.

Danfoss Heating supplies heating components and systems within residential heating, commercial heating and district energy for cities for the entire supply of heating and cooling for optimal comfort while reducing energy consumption.

**C0.2**

**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Reporting year	January 1, 2019	December 31, 2019	No

**C0.3**

**(C0.3) Select the countries/areas for which you will be supplying data.**

- Brazil
- Bulgaria
- China
- Denmark
- Finland
- France
- Germany
- India
- Italy
- Japan
- Mexico
- Netherlands
- Poland
- Romania
- Russian Federation
- Slovakia

- Slovenia
- Turkey
- United Kingdom of Great Britain and Northern Ireland
- United States of America

## C0.4

**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

- EUR

## C0.5

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.**

- Operational control

# C1. Governance

## C1.1

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

- Yes

### C1.1a

**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Chief Executive Officer (CEO)	The Chief Executive Officer (together with the Group Executive Team) develops the strategy and handles the day-to-day management of the company and execution of the strategy.
Board Chair	The Board of Directors lays the general course for the company by approving strategies and targets. this also includes the very overall approach to climate, both when it comes to products and the business.

### C1.1b

**(C1.1b) Provide further details on the board's oversight of climate-related issues.**

Frequency with which climate-related issues are	Governance mechanisms into which	Please explain
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a scheduled agenda item	climate-related issues are integrated	
Sporadic - as important matters arise	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding business plans Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	The board received information from the CEO and other senior executives in the strategic direction of the climate-related issues, e.g. the newly approved ambition to strive for carbon neutrality. The board can them at the formal meetings or between meeting review the information and provide feedback and/or approval.

## C1.2

**(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	Assessing climate-related risks and opportunities	As important matters arise
Environment/ Sustainability manager	Both assessing and managing climate-related risks and opportunities	Annually
Public affairs manager	Assessing climate-related risks and opportunities	As important matters arise
Facility manager	Managing climate-related risks and opportunities	As important matters arise

## C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).**



Danfoss has a two-tier management system consisting of its Board of Directors and the Group Executive Team. The Board of Directors lays the general course for the company by approving strategies and targets. The Group Executive Team develops the strategy and handles the day-to-day management of the company and execution of the strategy. The Group Executive Team implements the strategies and targets through their respective organizations.

The Group Executive Team is responsible for climate change and consists of the following members:

- President and CEO of Danfoss A/S
- Executive Vice President and CFO of Danfoss A/S
- Segment President, Danfoss Cooling
- Segment President, Danfoss Heating
- Segment President, Danfoss Power Solutions
- Segment President, Danfoss Drives

The climate-related issues are monitored and prioritized by various organizational levels:

- Global Real Estate: Responsible for facility and energy management of all locations and buildings including risk management and risk mitigation. Furthermore, responsible for providing various services to the global organization: accounting, HR, logistics, EHS services.
- Group Public Affairs & Sustainability: Responsible for overall risk assessment, climate strategy and targets, data collection and reporting.
- Segment management: Responsible for own operations including optimization of processes.
- Group Risk Management: Handles group related risk assessments and monitoring.

### C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

### C1.3a

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).**

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Environment/Sustainability manager	Monetary reward	Emissions reduction project Energy reduction project Efficiency target	Part of individual annual "Short term incentive" model for mid and senior management levels.

Facilities manager	Monetary reward	Emissions reduction project Energy reduction project	Part of individual annual "Short term incentive" model for mid and senior management levels.
	Monetary reward	Emissions reduction project Energy reduction project Efficiency target	Part of individual annual "Short term incentive" model for mid and senior management levels.

## C2. Risks and opportunities

### C2.1

**(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?**

Yes

#### C2.1a

**(C2.1a) How does your organization define short-, medium- and long-term time horizons?**

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	3	6	
Long-term	6	10	

#### C2.1b

**(C2.1b) How does your organization define substantive financial or strategic impact on your business?**

Substantive financial or strategic impact on our business is defined as lack of ability to deliver products or services.

### C2.2

**(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.**

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**Value chain stage(s) covered**

Direct operations

**Risk management process**

Integrated into multi-disciplinary company-wide risk management process

### Frequency of assessment

Not defined

### Time horizon(s) covered

Short-term

Medium-term

### Description of process

The Board of Directors performs risk oversight and the Audit Committee assesses the effectiveness of the Risk Management. The Executive Committee is responsible for risk management policies and processes.

Risk management includes:

- Internal Audits.
- The Risk & Compliance Committee.
- Group Risk Management.
- Group Ethics & Compliance responsible for compliance programs and whistle-blower function.
- Corporate Treasury.

The day-to-day management is in charge of activities safeguarding assets and earnings, handling business risks, monitoring and interpreting legislation, managing IT security, patents and trademark rights, product quality, fire prevention, environment and health and safety standards.

Group Risk Management submit annual report to Risk & Compliance Committee, Board of Directors, Audit Committee and Executive Committee. Risk & Compliance Committee supervise the risk management process, monitors group risks and potential new risks. Risk Management in Danfoss is performed on each organizational level. A risk identified in a certain organization unit could be of relevance for other organization units as well. All identified risks are documented in the Risk Repository containing standardized information fields.

Bow-Tie Analysis is used to analyze the risk and support the risk identification. In a first steps causes and consequences of the risk are identified. In a second step current risk treatment is investigated. All identified risks are assessed reflecting the outcome of discussions between the risk experts considering respective background information and knowledge about the risk.

Business Impact Assessment identify the most significant value streams linked to specified customers and the products/services they receive from Danfoss. Based on the knowledge of the complete paths of deliveries - from suppliers via freight providers and intermediate production facilities to distribution centers – the critical activities of these paths are identified.

## C2.2a

**(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?**

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Assessment of current regulation is performed as a part of the environmental management systems in each factory or business unit covered by the ISO 14001 certified management systems. The assessment is a part of the emergency preparedness processes or development/maintenance of the local business continuity plans. On group level, the assessment of regulation having an impact on a broad part of the organization is done as part of the regular corporate risk assessment.
Emerging regulation	Relevant, sometimes included	Assessment of emerging regulation is performed as a part of the environmental management systems in each factory or business unit covered by the ISO 14001 certified management systems. The assessment is a part of the emergency preparedness processes or development/maintenance of the local business continuity plans. On group level, the assessment of regulation having an impact on a broad part of the organization is done as part of the regular corporate risk assessment.
Technology	Not evaluated	
Legal	Not evaluated	
Market	Relevant, sometimes included	Market requirements, i.e. customer's requirement for climate-related product performance or climate-related disclosure is assessed as part of the product development process in the business units responsible for maintaining the products' performance. We monitor regulation and development in the political landscape through interaction with politicians, decision makers and customers to ensure that we can react in time to changes in the regulations. The Public and Industry Affairs community in Danfoss monitors the development together with the market intelligence functions in the business units. This intelligence work provide management with the decision base to plan for new market penetrations, new product launches or increased appearance at fairs, tradeshow or the like. It also provides the basis for deciding how to approach customers and decision makers to best use our products to increase their energy efficiency and improve their resilience against increasing taxes.
Reputation	Relevant, sometimes included	Danfoss reputational risk is assessed by Danfoss Group Communications & Reputation on ad-hoc basis. Typically based on requests from the organization when they are dealing with climate-related projects and communication. An example is the reputational risk to the company if it is decided to use carbon offsetting as a mean to decarbonize the company.



Acute physical	Relevant, always included	The assessment is a part of the emergency preparedness processes or development/maintenance of the local business continuity plans. On group level, the assessment of regulation having an impact on a broad part of the organization is done as part of the regular corporate risk assessment.
Chronic physical	Relevant, always included	The assessment is a part of the emergency preparedness processes or development/maintenance of the local business continuity plans. On group level, the assessment of regulation having an impact on a broad part of the organization is done as part of the regular corporate risk assessment.

## C2.3

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.3a

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

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### Identifier

Risk 1

### Where in the value chain does the risk driver occur?

Downstream

### Risk type & Primary climate-related risk driver

Market

Changing customer behavior

### Primary potential financial impact

Decreased revenues due to reduced demand for products and services

### Company-specific description

If customers or communities get access to very cheap energy (e.g. electricity from new energy sources) and therefore not longer demand energy efficiency or energy productivity solutions or products, the business model of Danfoss is threatened if the company cannot adapt or change fast enough.

### Time horizon

Medium-term

### Likelihood

Unlikely

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

No, we do not have this figure

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

Major loss of revenue. Amount not disclosed.

**Cost of response to risk**

**Description of response and explanation of cost calculation**

The risk management program and internal and external intelligence measures provide for timely information about market trends and changes in regulations affecting the product portfolio.

**Comment**

Not estimated.

## C2.4

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

### C2.4a

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

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**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Primary potential financial impact**

**Company-specific description**

EU directives regarding energy using products and energy efficiency (e.g. "EN 50598-3 Ecodesign for power drive systems, motor starters, power electronics & their driven applications - Part 3: Quantitative eco design approach through life cycle assessment including product category rules and the content of environmental declarations") could increase costumers focus on energy saving products and more energy efficient solutions and thereby increase the demand for Danfoss' products and solutions and create new or expanding markets.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

Not disclosed

**Cost to realize opportunity**

**Strategy to realize opportunity and explanation of cost calculation**

Group Regulatory Affairs monitor together with the market intelligence and approvals functions in the business units. regulation and standards to ensure that we can react in time to changes in the regulations. Group Risk Management has implemented tools and methods to determine the risk for violation of product regulation to ensure compliance in due time. This intelligence work provide management with the decision base to plan for implementation of new regulation. The implementation of the regulation is the responsibility of the R&D functions in the business units together with Group Regulatory and Group Approvals.

**Comment**

Not disclosed

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development of new products or services through R&D and innovation

**Primary potential financial impact**

**Company-specific description**

Future carbon taxes could increase costumers' focus on energy saving products and more energy efficient solutions to reduce their carbon emissions That could lead to increased demand for Danfoss' products and solutions and create new or expanding markets.

**Time horizon**

Medium-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

Not disclosed

**Cost to realize opportunity**

**Strategy to realize opportunity and explanation of cost calculation**

We monitor regulation and development in the political landscape through interaction with politicians, decision makers and customers to ensure that we can react in time to changes in the regulations. The Public and Industry Affairs community in Danfoss monitors the development together with the market intelligence functions in the business units. This intelligence work provide management with the decision base to plan for new market penetrations, new product launches or increased appearance at fairs, tradeshows or the like. It also provides the basis for deciding how to approach customers and decision makers to best use our products to increase their energy efficiency and improve their resilience against increasing taxes.

**Comment**

Not disclosed

## C3. Business Strategy

### C3.1

**(C3.1) Have climate-related risks and opportunities influenced your organization’s strategy and/or financial planning?**

Yes

#### C3.1a

**(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?**

No, but we anticipate using qualitative and/or quantitative analysis in the next two years

#### C3.1c

**(C3.1c) Why does your organization not use climate-related scenario analysis to inform its strategy?**

The business strategy process has been revised and needs to mature before we include climate-related scenario analysis.

#### C3.1d

**(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.**

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	EU directives regarding energy using products and energy efficiency (e.g. "EN 50598-3 Ecodesign for power drive

		<p>systems, motor starters, power electronics &amp; their driven applications - Part 3: Quantitative eco design approach through life cycle assessment including product category rules and the content of environmental declarations") could increase costumers focus on energy saving products and more energy efficient solutions and thereby increase the demand for Danfoss' products and solutions and create new or expanding markets.</p> <p>Future carbon taxes could increase costumers' focus on energy saving products and more energy efficient solutions to reduce their carbon emissions That could lead to increased demand for Danfoss' products and solutions and create new or expanding markets.</p>
Supply chain and/or value chain	No	
Investment in R&D	No	
Operations	Yes	<p>A carbon price of e.g. €30 per ton would increase our operational costs to €2.5m in Europe and potentially €7-8m globally. This has led to our Group Executive Teams strategic decision to join RE100 and commit to transition to 100% renewable electricity by 2030. Danfoss has furthermore joined EV100 to commit to transition the company's 2,500 company cars to EVs before 2030. In 2019, only a 1-2% of our electricity used at the production facilities comes from own renewable sources (solar parks).</p>

### C3.1e

**(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.**

	Financial planning elements that have been influenced	Description of influence
Row 1	<p>Revenues</p> <p>Direct costs</p> <p>Capital expenditures</p>	<p>Increased interest by customers in energy efficient products and solutions will lead to increased net sales and thereby a better revenue.</p> <p>As consequence of the company's aim to be carbon neutral in its operations by 2030, a project has been approved by management to start procuring green electricity from existing or new energy sources, e.g. wind or solar. Internal assessments show that the need for carbon neutral electricity can be met though Power Purchase Agreements with energy providers or through carbon offsetting.</p>

		<p>Our priorities are "Energy efficiency first!" followed by procurement of electricity from new sources to ensure additionality and as a last resort carbon offsetting in those markets where PPAs are not available or where the price for the PPAs are not acceptable at present.</p> <p>The PPAs will be CAPEX neutral to Danfoss as the investments will be made by third party investors.</p> <p>it is expected that the PPAs will not impact our direct energy cost negatively as it is foreseen that the electricity prices will increase by up to 25% from 2021 to 2025 (source: The Danish Energy Agency). signing fixed price PPAs with mitigate any increasing electricity prices over the strategy period 2020-2030.</p> <p>Decarbonizing our use of fossil fuels for heating and production processes will be the most costly part of our journey towards carbon neutrality as many of our factories use natural gas for heating in own boilers. A study with the assistance of a major Danish engineering consultancy had shown that the cost of converting the local boilers to e.g. heat pumps will require a CAPEX in the range of 100-200 EURm over 10 years.</p>
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### C3.1f

**(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).**

## C4. Targets and performance

### C4.1

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Intensity target

### C4.1b

**(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).**

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**Target reference number**

Int 1

**Year target was set**

2008

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (location-based)

**Intensity metric**

Other, please specify

Metric tons CO<sub>2</sub>e per EURm net sales

**Base year**

2007

**Intensity figure in base year (metric tons CO<sub>2</sub>e per unit of activity)**

60.6

**% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure**

93

**Target year**

2030

**Targeted reduction from base year (%)**

50

**Intensity figure in target year (metric tons CO<sub>2</sub>e per unit of activity) [auto-calculated]**

30.3

**% change anticipated in absolute Scope 1+2 emissions**

-100

**% change anticipated in absolute Scope 3 emissions**

0

**Intensity figure in reporting year (metric tons CO<sub>2</sub>e per unit of activity)**

39.4

**% of target achieved [auto-calculated]**

69.9669966997

**Target status in reporting year**

Replaced

**Is this a science-based target?**

No, but we anticipate setting one in the next 2 years

**Please explain (including target coverage)**

The CO<sub>2</sub> intensity is reduced from 60.6 [ton/EURm] in 2007 to 39.4 [ton/EURm] in 2018.  
The target has been replaced by a target to reduce the emissions by 100% before 2030.



**Target reference number**

Int 2

**Year target was set**

2019

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (location-based)

**Intensity metric**

Other, please specify

Metric tons CO<sub>2</sub>e per EURm net sales

**Base year**

2019

**Intensity figure in base year (metric tons CO<sub>2</sub>e per unit of activity)**

39.4

**% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure**

93

**Target year**

2030

**Targeted reduction from base year (%)**

100

**Intensity figure in target year (metric tons CO<sub>2</sub>e per unit of activity) [auto-calculated]**

0

**% change anticipated in absolute Scope 1+2 emissions**

-100

**% change anticipated in absolute Scope 3 emissions**

**Intensity figure in reporting year (metric tons CO<sub>2</sub>e per unit of activity)**

39.4

**% of target achieved [auto-calculated]**

0

**Target status in reporting year**

New

**Is this a science-based target?**

No, but we anticipate setting one in the next 2 years

**Please explain (including target coverage)**

The Danfoss Group has within recent years lowered its global energy intensity considerably. Now, additional activities are initiated to further reduce energy consumption and transition the remaining energy demand at all Danfoss operations towards renewable energy. Furthermore, Danfoss commits to change its company car fleet to become all electric latest by 2030. These initiatives are all steps towards being CO2 neutral in all the company's global operations at the latest by 2030. We will continuously update our plans to stay aligned with science.

To further emphasize Danfoss' commitment to combat global heating Danfoss is joining the UN Global Compact's campaign on "Business Ambition for 1.5°C - Our Only Future" and commits to setting science-based targets. Hereby Danfoss joins the global movement of leading companies aligning their businesses with the most ambitious aim of the Paris Agreement, to limit global temperature rise to 1.5°C above pre-industrial levels.

Danfoss is now working on detailed plans on how to reach the targets including how to balance potential CO2 impact, commercial terms and long-term factory footprint considerations. The overall approach is "energy efficiency first" that also supports a high share of renewables. Less green energy needed means that less investments are needed for grid extension, energy storage, back-up capacities and energy imports. Finally, electrification, powered by renewables, is an enabling tool that will allow Danfoss to decarbonize the business.

In 2016, Danfoss joined the EP100 initiative that targets to double the company's energy productivity before 2030 from 2007 levels, and today Danfoss has already improved its energy productivity by 80%. Now, additional activities are initiated to further reduce the consumption of energy and ensure that all Danfoss operation transition towards renewable energy. In December 2019, Danfoss signed up for both the RE100 and EV100 initiatives.

**Target reference number**

Int 3

**Year target was set**

2019

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 3: Business travel

**Intensity metric**

Metric tons CO2e per passenger kilometer

**Base year**

2019

**Intensity figure in base year (metric tons CO<sub>2</sub>e per unit of activity)**

0.000105425

**% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure**

100

**Target year**

2030

**Targeted reduction from base year (%)**

100

**Intensity figure in target year (metric tons CO<sub>2</sub>e per unit of activity) [auto-calculated]**

0

**% change anticipated in absolute Scope 1+2 emissions**

**% change anticipated in absolute Scope 3 emissions**

100

**Intensity figure in reporting year (metric tons CO<sub>2</sub>e per unit of activity)**

0.000105425

**% of target achieved [auto-calculated]**

0

**Target status in reporting year**

New

**Is this a science-based target?**

No, but we anticipate setting one in the next 2 years

**Please explain (including target coverage)**

The target is for business travel only and is a part of Danfoss' journey towards carbon neutrality before 2030.

## C4.2

**(C4.2) Did you have any other climate-related targets that were active in the reporting year?**

No other climate-related targets

## C4.3

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

### C4.3a

**(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*	5	5,000
Implementation commenced*	5	10,000
Implemented*	5	10,000
Not to be implemented		

### C4.3b

**(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.**

**Initiative category & Initiative type**

Energy efficiency in buildings  
Heating, Ventilation and Air Conditioning (HVAC)

**Estimated annual CO2e savings (metric tonnes CO2e)**

10,000

**Scope(s)**

Scope 1  
Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

**Investment required (unit currency – as specified in C0.4)**

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

11-15 years

**Comment**

Implementation of heat recovery units at the exhaust from factory buildings;  
Optimization of building ventilation and heating systems to allow for better control and lower heat demand.

**C4.3c**

**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

Method	Comment
Internal finance mechanisms	All investments in energy saving and efficiency measures must have a simple payback below 3 years. This drives creativity when the organization is required to meet the savings targets.
Financial optimization calculations	Optimization of other variable costs (including utilities) through the M4L project (M4L = More for Less) focused on driving the cost down.
Dedicated budget for energy efficiency	Danfoss Real Estate function drives internal energy savings and energy efficiency programs to lower utility cost and to ensure compliance with the company's climate strategy.

**C4.5**

**(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

Yes

**C4.5a**

**(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.**

**Level of aggregation**

Company-wide

**Description of product/Group of products**

Compressors, valves, sensors and switches for energy-saving and precise control solutions within commercial refrigeration, industrial refrigeration, air-conditioning, and supermarket refrigeration. Low voltage AC drives used in pumps, fans, elevators, escalators, conveyors and compressors. Key component for energy production from renewable sources. Power modules and power stacks for the automotive and wind

industries. Advanced heating components and systems that deliver comfort, energy efficiency, and enhanced heating performance in residential and commercial buildings as well as in district energy systems. Heating components and systems within residential heating, commercial heating and district energy for cities for the entire supply of heating and cooling for optimal comfort while reducing energy consumption. Heat exchangers for use in heat pumps, chillers and close control systems for cooling and heating in residential and commercial buildings.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify

Own calculation of avoided emissions

**% revenue from low carbon product(s) in the reporting year**

50

**Comment**

Danfoss calculate the emission saving potentials for products or product families as part of the development process. The data are used in case stories or in marketing. Programs are being developed to implement mandatory validation of all product related emission and energy efficiency claims.

## C5. Emissions methodology

### C5.1

**(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

**Scope 1**

---

**Base year start**

January 1, 2007

**Base year end**

December 31, 2007

**Base year emissions (metric tons CO2e)**

41,860

**Comment**

Changed from 35,739 due to recalculation of baseline.

**Scope 2 (location-based)**

---

**Base year start**

January 1, 2007

**Base year end**

December 31, 2007

**Base year emissions (metric tons CO<sub>2</sub>e)**

137,357

**Comment**

Changed from 140,478 due to recalculation of baseline.

**Scope 2 (market-based)**

---

**Base year start**

**Base year end**

**Base year emissions (metric tons CO<sub>2</sub>e)**

**Comment**

## C5.2

**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.**

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

## C6. Emissions data

### C6.1

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO<sub>2</sub>e?**

**Reporting year**

---

**Gross global Scope 1 emissions (metric tons CO<sub>2</sub>e)**

29,211

**Comment**

### C6.2

**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.**

**Row 1**

---

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

We have operations where we are able to access electricity supplier emission factors or residual emissions factors, but are unable to report a Scope 2, market-based figure

**Comment**

## C6.3

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO<sub>2</sub>e?**

**Reporting year**

---

**Scope 2, location-based**

220,399

**Comment**

## C6.4

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

Yes

### C6.4a

**(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.**

---

**Source**

Small sales offices in leased premises accounting for estimated 5% of the Group's total emissions.

**Relevance of Scope 1 emissions from this source**

No emissions from this source

**Relevance of location-based Scope 2 emissions from this source**

Emissions are not evaluated

**Relevance of market-based Scope 2 emissions from this source (if applicable)**



### Explain why this source is excluded

The energy consumption is in most cases an integral part of the rent and therefore not accounted for. We cannot estimate the emissions since we do not have access to utility data.

## C6.5

### (C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

#### Purchased goods and services

---

##### Evaluation status

Relevant, calculated

##### Metric tonnes CO<sub>2</sub>e

980,000

##### Emissions calculation methodology

Emissions are estimated by Trucost.

Scope of the valuation: Present value of each metric tons of CO<sub>2</sub>e emitted now, taking account of the full global cost of the damage that it imposes during its time in the atmosphere. The social cost of carbon includes, but is not limited to, changes in net agricultural productivity, human health, and property damages from increased flood risk.

Methodology approach: Trucost uses a social cost per metric tons of CO<sub>2</sub>e to value GHG emissions, which is the value identified in the UK Government's Stern Report (Stern, 2006) as the central, business-as-usual scenario, adjusted for inflation to 2014 prices using a global weighted average consumer price index (CPI).

##### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

##### Please explain

The calculations are based on financial data from Danfoss' procurement databases.

#### Capital goods

---

##### Evaluation status

Not relevant, explanation provided

##### Please explain

The energy used to drive the capital goods generate emissions. These emissions are included in the scope 1 and scope 2 emissions reported for the company.

#### Fuel-and-energy-related activities (not included in Scope 1 or 2)

---

##### Evaluation status

Not relevant, explanation provided

**Please explain**

All fuel-and-energy-related activities are included in the scope 1 and 2 emissions.

**Upstream transportation and distribution**

---

**Evaluation status**

Not relevant, explanation provided

**Please explain**

We pay for the transport from own factories to the customer/retailer and all transport is therefore calculated as downstream. Upstream emissions are accounted for by the suppliers.

**Waste generated in operations**

---

**Evaluation status**

Relevant, not yet calculated

**Please explain**

Will be calculated as part of the upcoming Science Based Targets setting. We expect to submit the targets for evaluation by SBTi in the beginning of 2021 according to our SBTi commitment.

**Business travel**

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

25,000

**Emissions calculation methodology**

Emissions from business flights are calculated by our travel agency for all business trips ordered through the Concur platform. It is anticipated that 98% of all business travel is ordered through that system. The accumulated distance traveled is 155,615,683 km in 2019. Average travel distance per traveler is 19,150 km annually.

Emissions from our company car fleet is calculated based on data provided by our fleet providers (LeasePlan et al) Our company car inventory counts 2,235 cars of which 25% are petrol cars and the rest are diesel cars. The contractual annual driving distance is used as basis for calculating the emissions together with the emission factors from our largest fleet provider managing 1,866 of our 2,235 cars. We assume that the remaining cars are of the same models as those from LeasePlan so we can use the same average data for emissions. It is assumed that half of the contractual distance is used for private trips wherefore this is subtracted from the calculation of business related travel.

Emission factor for petrol company cars:

1 liter of petrol weighs 750 grams. Petrol consists for 87% of carbon, or 652 grams of carbon per liter of petrol. In order to combust this carbon to CO<sub>2</sub>, 1,740 grams of oxygen is needed. The sum is then  $652 + 1,740 = 2,392$  grams of CO<sub>2</sub>/liter of petrol = 0.002392

ton of CO<sub>2</sub>/liter of petrol.

Emission factor for diesel company cars:

1 liter of diesel weighs 835 grams. Diesel consist for 86.2% of carbon, or 720 grams of carbon per liter diesel. In order to combust this carbon to CO<sub>2</sub>, 1,920 grams of oxygen is needed. The sum is then 720 + 1,920 = 2,640 grams of CO<sub>2</sub>/liter of diesel = 0.002640 tons of CO<sub>2</sub>/liter of diesel.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Please explain**

All data are delivered by our from travel agency's Concur database.

**Employee commuting**

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

25,615

**Emissions calculation methodology**

The methodology for calculating the impact includes average distance to work and average number of employees. Emission factors are from GHG Protocol tool: Mobile Combustion GHG Emissions Calculation Tool, Version 2.6.

An Excel based methodology has been used to combine the activity data and emission factors.

It is estimated that half of the employees that do not have a company car commute to work in own vehicles, a third use public transportation and the rest walk or go by bike. Half of the employees commuting in own vehicles drive alone and the rest two-and-two. We estimate an average distance of 40 km/employee per day.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Please explain**

Emissions from company cars are calculated using data provided by LeasePlan for the fleet under their management (83% of Danfoss' entire fleet of company cars).

**Upstream leased assets**

---

**Evaluation status**

Not relevant, explanation provided

**Please explain**

We have very limited number of upstream leased assets.

## Downstream transportation and distribution

---

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

122,000

**Emissions calculation methodology**

DHL Carbon Dashboard 2.0, developed by the SMU-DHL Green Transformation Lab (GTL). The figures for 2019 are estimated as actual calculations are not carried out. A new and better tool is expected to be implemented as part of setting Science Based Targets no later than beginning of 2021.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Please explain**

Data are provided by Danfoss Global Logistics to allow for the estimation of the emissions. we are currently in process of establishing a new baseline for 2019 as part of our commitment to set Science Based Targets no later than by 2021.

## Processing of sold products

---

**Evaluation status**

Not relevant, explanation provided

**Please explain**

No processing is done on sold products.

## Use of sold products

---

**Evaluation status**

Relevant, not yet calculated

**Please explain**

Most of the company's products save energy in customer applications and contribute therefore to lowering the carbon emissions or improving energy efficiency. We have not calculated the avoided emissions for all products due to the diversity of our product portfolio.

The CO<sub>2</sub> reductions caused by the company's product outweigh the CO<sub>2</sub> emissions caused by the use of the products. An example: A typical VSD (Variable Speed Drive) used to control the speed of AC motors for conveyor belts, elevators, pumps and fans has an efficiency of 97%. This means that 3% of the energy used in the application is used for the product. The rest is used in the motor. Typical savings in applications are 30-50% meaning that the product (the VSD) only use 6-10% of the savings achieved by the product.

If the VFD has a nominal output of 10 kW, the VFD's own energy consumption will be

$10 \times 0.03 = 0.3$  kW. The energy savings on the application is set to 30% resulting in an energy saving of  $(10 / (1 - 0.3)) - 10 - 0.3 = 3.98$  kW at full load. The avoided emissions at full load for one VFD can be estimated to  $3.98 \times 0.5 = 2$  kg CO<sub>2</sub> per hour of operation. Assuming annual operation of 6,000 hours leads to avoided emissions of  $6,000 \times 2 = 12$  metric tons CO<sub>2</sub>/year per VFD.

## End of life treatment of sold products

---

### Evaluation status

Not evaluated

### Please explain

End of life treatment of the products is done in multiple ways depending on the customers and the local treatment options and legislation in the countries where the product ends their life. We have no or little insight in the end of life treatment and cannot calculate the emissions from the treatment.

## Downstream leased assets

---

### Evaluation status

Not relevant, explanation provided

### Please explain

We have no downstream leased assets.

## Franchises

---

### Evaluation status

Not relevant, explanation provided

### Please explain

We do not have any franchises.

## Investments

---

### Evaluation status

Not evaluated

### Please explain

We only invest in own assets and the emissions from these assets are included in our scope 1 and 2 emissions.

## Other (upstream)

---

### Evaluation status

Not relevant, explanation provided

### Please explain

We do not see other upstream emission sources than those previously accounted for.

## Other (downstream)

---

**Evaluation status**

Not relevant, explanation provided

**Please explain**

We do not see other downstream emission sources than those previously accounted for.

**C6.7**

**(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?**

No

**C6.10**

**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO<sub>2</sub>e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

**Intensity figure**

0.0000397

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO<sub>2</sub>e)**

249,610

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

6,285,000,000

**Scope 2 figure used**

Location-based

**% change from previous year**

7.6

**Direction of change**

Decreased

**Reason for change**

Scope 1 emissions decreased by 3.2% due to less heating demand compared to the previous year. The savings were primarily a result of reduced consumption of natural gas at the HQ in Nordborg, Denmark as a consequence of the global energy savings program implemented at the 27 largest factories. The CO<sub>2</sub> emissions from heating at the Nordborg factory is expected to reach zero by 2022 primary due to phase-out of the combustion of natural gas in our CHP installation.

Scope 2 emissions fell by 8.2% primarily caused by 3% lower electricity consumption globally despite an increased activity level of 3%. The purchased electricity is also getting greener which is leading to a lower carbon intensity in our global electricity mix. The average CO2 intensity in the purchased electricity fell to 495 g CO2/kWh in 2019 from 472 g CO2/kWh in 2018.

## C7. Emissions breakdowns

### C7.1

**(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?**

No

### C7.2

**(C7.2) Break down your total gross global Scope 1 emissions by country/region.**

Country/Region	Scope 1 emissions (metric tons CO2e)
Brazil	4
Bulgaria	62
China	2,402
Denmark	6,521
Finland	0
France	851
Germany	2,373
India	580
Italy	296
Japan	0
Mexico	3,142
Poland	2,224
Romania	99
Russian Federation	1,753
Slovakia	197
Slovenia	156
United Kingdom of Great Britain and Northern Ireland	213
United States of America	8,306
Turkey	31
Netherlands	0

## C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

## C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh)
Brazil	0	0	6,371	0
Bulgaria	238	0	402	0
China	101,050	0	116,135	0
Denmark	23,297	0	98,792	0
Finland	634	0	12,477	0
France	482	0	13,985	0
Germany	7,671	0	27,010	0
India	6,843	0	13,423	0
Japan	2,384	0	4,327	0
Italy	1,960	0	4,668	0
Mexico	9,697	0	21,306	0
Poland	20,716	0	27,037	0
Romania	221	0	1,851	0
Russian Federation	2,799	0	5,506	0
Slovakia	403	0	18,890	0
Slovenia	5,382	0	11,942	0
United Kingdom of Great Britain and Northern Ireland	434	0	906	0
United States of America	36,110	0	104,467	0
Turkey	48	0	104	0
Netherlands	29	0	110	0



## C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

## C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

## C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0		0	No change in the amount of self-generated electricity from previous year.
Other emissions reduction activities	10,000	Decreased	3.7	Our global energy savings program reduced the emissions by estimated 10,000 tons. Gross 2019 emissions were 270,135 tons. Result = $(10000 * 100 / 270135) = 3.7\%$
Divestment	0	No change	0	No divestments in 2019.
Acquisitions	77		0.03	Acquisition of two smaller companies in Netherlands and Turkey.
Mergers	0	No change	0	No mergers in 2019
Change in output	8,100	Increased	3	Higher net sales leads to increased emissions due to increased activity in the factories.
Change in methodology	0	No change	0	
Change in boundary	0	No change	0	
Change in physical	0	No change	0	

operating conditions				
Unidentified	0		0	
Other	18,702	Decreased	6.9	Reductions caused by changes in the energy mix used in the factories and the lower emission factor of the purchased electricity.

### C7.9b

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Location-based

## C8. Energy

### C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

### C8.2

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

## C8.2a

**(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.**

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	2	144,744	144,746
Consumption of purchased or acquired electricity		79,660	380,927	460,587
Consumption of purchased or acquired heat		13,040	12,926	25,966
Consumption of self-generated non-fuel renewable energy		3,156		3,156
Total energy consumption		95,858	538,597	634,455

## C8.2b

**(C8.2b) Select the applications of your organization's consumption of fuel.**

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	Yes

## C8.2c

**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.**

---

**Fuels (excluding feedstocks)**

Natural Gas

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

138,755

**MWh fuel consumed for self-generation of heat**

113,102

**MWh fuel consumed for self-cogeneration or self-trigeneration**

25,653

**Emission factor**

202

**Unit**

metric tons CO2 per MWh

**Emissions factor source**

Covenant of Mayors & Joint Research Center of the European Commission

**Comment**

---

**Fuels (excluding feedstocks)**

Gas Oil

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

2,887

**MWh fuel consumed for self-generation of heat**

2,887

**MWh fuel consumed for self-cogeneration or self-trigeneration**

0

**Emission factor**

267

**Unit**

metric tons CO2 per MWh

**Emissions factor source**

Covenant of Mayors & Joint Research Center of the European Commission

**Comment**

**C8.2d**

**(C8.2d) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.**

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	13,989	13,989	3,155	3,155
Heat	144,745	144,745	1.7	1.7
Steam	0	0	0	0
Cooling	0	0	0	0

**C9. Additional metrics**

**C9.1**

**(C9.1) Provide any additional climate-related metrics relevant to your business.**

**C10. Verification**

**C10.1**

**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

	Verification/assurance status
Scope 1	No third-party verification or assurance
Scope 2 (location-based or market-based)	No third-party verification or assurance
Scope 3	No third-party verification or assurance

**C10.2**

**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

No, but we are actively considering verifying within the next two years

## C11. Carbon pricing

### C11.1

**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**

Yes

### C11.1a

**(C11.1a) Select the carbon pricing regulation(s) which impacts your operations.**

EU ETS

### C11.1b

**(C11.1b) Complete the following table for each of the emissions trading schemes you are regulated by.**

#### EU ETS

---

**% of Scope 1 emissions covered by the ETS**

16

**% of Scope 2 emissions covered by the ETS**

0

**Period start date**

January 1, 2019

**Period end date**

December 31, 2019

**Allowances allocated**

7,948

**Allowances purchased**

0

**Verified Scope 1 emissions in metric tons CO<sub>2</sub>e**

7,948

**Verified Scope 2 emissions in metric tons CO<sub>2</sub>e**

0

**Details of ownership**

Facilities we own and operate

**Comment**

## C11.1d

**(C11.1d) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?**

We comply with the ETS scheme.

## C11.2

**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

## C11.3

**(C11.3) Does your organization use an internal price on carbon?**

No, and we do not currently anticipate doing so in the next two years

## C12. Engagement

### C12.1

**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, other partners in the value chain

### C12.1d

**(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.**

We engage with our logistic partners to understand their emissions and address potential for reducing the emissions from downstream transport. We also engage with utility providers to buy green energy (electricity) as part of our global decarbonization strategy. Furthermore, the company engages with the providers of lease cars to electrify the entire company car fleet before 2030.

### C12.3

**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

Direct engagement with policy makers

Trade associations

Funding research organizations

### C12.3a

**(C12.3a) On what issues have you been engaging directly with policy makers?**

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Energy efficiency	Support	<p>Since energy efficiency of products and systems is one of the core elements of Danfoss' strategy and our businesses, it is imperative that our Public Affairs, approbation and R&amp;D functions participate on workshops, standardizations groups and conferences with the aim of having the greatest possible impact on energy efficiency legislation and product standards.</p>	<p>Danfoss advocates for building codes in emerging markets and the implementation of existing and more ambitious building codes in established markets. Consequently, optimizing energy efficiency in new buildings, right from the start, is extremely important so that we do not lock ourselves into inefficient technologies for decades. An even bigger potential stems from renovating the existing building stock, which currently accounts for about a third of global energy use and energy-related GHG emissions. For this reason, Danfoss support the International Energy Agency's recommendation for a global renovation rate of 1-2% of existing buildings per year. In the EU, Danfoss want to make buildings ready for demand-response in order to provide the needed flexibility for the integration and uptake of renewable energy. We advocate looking at buildings as part of the bigger energy system; hence taking into account the supply and demand side of energy. We work together with GRMI - The Global Refrigerant Management Initiative. Its aim is to educate the HVACR industry's global supply chain to improve the management of refrigerants to reduce leak and service emissions, and to promote the recycling, recovery, reclaiming, and end-of- life destruction of refrigerants and foam blowing agents. Danfoss also participates in the GFCCC –Global Food Cold Chain Council, where we facilitate the establishment of sustainable cold chains with low-GWP refrigerants.</p>



## C12.3b

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

Yes

## C12.3c

**(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.**

---

**Trade association**

Confederation of Danish Industry

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The Confederation of Danish Industry works for a climate policy that contributes to a balanced green transition, which both supports competitiveness and growth.

**How have you influenced, or are you attempting to influence their position?**

Our CFO is on the Board of the Confederation of Danish Industry and many employees are active participants in the organizations committees and working groups. Danfoss also has a member of the Confederation of Danish Industry's Environmental Board of Directors, the Energy Board of Directors and several other boards and committees.

## C12.3d

**(C12.3d) Do you publicly disclose a list of all research organizations that you fund?**

No

## C12.3f

**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

Consistency is ensured through alignment of strategic positions and messages across Danfoss' global Public Affairs community and the Danfoss Group Executive Team which is comprised of the Top 6 managers of Danfoss (2 member of the Executive Committee, and the heads of our four segments).

The Public Affairs community meet regularly to align and prioritize. The priorities are aligned with and confirmed by top management.

## C12.4

**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

---

### Publication

In voluntary sustainability report

### Status

Complete

### Attach the document

 Danfoss-Sustainability-Report-2019.pdf

### Page/Section reference

3-4; 19-20

### Content elements

Strategy  
Risks & opportunities  
Emissions figures  
Emission targets

### Comment

---

### Publication

In other regulatory filings

### Status

Complete

### Attach the document

 Annual-Report-2019.pdf

### Page/Section reference

3; 5-6; 9-15

### Content elements

Strategy  
Risks & opportunities

### Comment

## C15. Signoff

### C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

### C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Head of Group Public Affairs	Public affairs manager

## SC. Supply chain module

### SC0.0

(SC0.0) If you would like to do so, please provide a separate introduction to this module.

### SC0.1

(SC0.1) What is your company's annual revenue for the stated reporting period?

	Annual Revenue
Row 1	6,285,000,000

### SC0.2

(SC0.2) Do you have an ISIN for your company that you would be willing to share with CDP?

No

### SC1.1

(SC1.1) Allocate your emissions to your customers listed below according to the goods or services you have sold them in this reporting period.

**Requesting member**

CNH Industrial NV

**Scope of emissions**

Scope 1

**Allocation level**

Company wide

**Allocation level detail**

**Emissions in metric tonnes of CO<sub>2</sub>e**

294

**Uncertainty (±%)**

20

**Major sources of emissions**

Consumption of fuel (natural gas, fuel oil) for heating.

**Verified**

No

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales is used for the allocation. Indirect sales through distributors or wholesalers is not included.

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**Requesting member**

CNH Industrial NV

**Scope of emissions**

Scope 2

**Allocation level**

Company wide

**Allocation level detail**

**Emissions in metric tonnes of CO<sub>2</sub>e**

2,217

**Uncertainty ( $\pm\%$ )**

20

**Major sources of emissions**

Consumption of electricity and district heating.

**Verified**

No

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales is used for the allocation. Indirect sales through distributors or wholesalers is not included.

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**Requesting member**

CNH Industrial NV

**Scope of emissions**

Scope 3

**Allocation level**

Company wide

**Allocation level detail**

**Emissions in metric tonnes of CO<sub>2</sub>e**

11,596

**Uncertainty ( $\pm\%$ )**

20

**Major sources of emissions**

Purchased goods, transport of finished goods and employee commuting

**Verified**

No

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

Purchased goods: The source is all purchased raw materials in the reporting year obtained from Danfoss Global Procurement databases. Calculations are made by Trucost. Trucost uses a social cost per metric tonne of CO<sub>2</sub>e to value GHG emissions, which is the value identified in the UK Government's Stern Report (Stern, 2006) as the central, business-as-usual scenario, adjusted for inflation to 2014 prices using a global weighted average consumer price index (CPI). Transport of finished goods: The sources are records from our transporters. Emission calculations are made using DHL Carbon Dashboard.

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**Requesting member**

Eaton Corporation

**Scope of emissions**

Scope 1

**Allocation level**

Company wide

**Allocation level detail**

**Emissions in metric tonnes of CO<sub>2</sub>e**

89

**Uncertainty (±%)**

20

**Major sources of emissions**

Consumption of fuel (natural gas, fuel oil) for heating.

**Verified**

No

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales is used for the allocation. Indirect sales through distributors or wholesalers is not included.

**Requesting member**

Eaton Corporation

**Scope of emissions**

Scope 2

**Allocation level**

Company wide

**Allocation level detail**

**Emissions in metric tonnes of CO<sub>2</sub>e**

668

**Uncertainty (±%)**

20

**Major sources of emissions**

Consumption of electricity and district heating.

**Verified**

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales is used for the allocation. Indirect sales through distributors or wholesalers is not included.

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**Requesting member**

Eaton Corporation

**Scope of emissions**

Scope 3

**Allocation level**

Company wide

**Allocation level detail**

**Emissions in metric tonnes of CO<sub>2</sub>e**

3,497

**Uncertainty (±%)**

20

**Major sources of emissions**

Purchased goods: The source is all purchased raw materials in the reporting year obtained from Danfoss Global Procurement databases. Calculations are made by Trucost. Trucost uses a social cost per metric tonne of CO<sub>2</sub>e to value GHG emissions, which is the value identified in the UK Government's Stern Report (Stern, 2006) as the central, business-as-usual scenario, adjusted for inflation to 2014 prices using a global weighted average consumer price index (CPI). Transport of finished goods: The sources are records from our transporters. Emission calculations are made using DHL Carbon Dashboard.

**Verified**

No

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales is used for the allocation. Indirect sales through distributors or wholesalers is not included.

**Requesting member**

Volkswagen AG

**Scope of emissions**

Scope 1

**Allocation level**

Company wide

**Allocation level detail****Emissions in metric tonnes of CO<sub>2</sub>e**

1

**Uncertainty (±%)**

20

**Major sources of emissions**

Consumption of fuel (natural gas, fuel oil) for heating.

**Verified**



No

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales is used for the allocation. Indirect sales through distributors or wholesalers is not included.

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**Requesting member**

Volkswagen AG

**Scope of emissions**

Scope 2

**Allocation level**

Company wide

**Allocation level detail**

**Emissions in metric tonnes of CO<sub>2</sub>e**

8

**Uncertainty (±%)**

20

**Major sources of emissions**

Consumption of electricity and district heating.

**Verified**

No

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales is used for the allocation. Indirect sales through distributors or wholesalers is not included.

**Requesting member**

Volkswagen AG

**Scope of emissions**

Scope 3

**Allocation level**

Company wide

**Allocation level detail**

**Emissions in metric tonnes of CO<sub>2</sub>e**

41

**Uncertainty (±%)**

20

**Major sources of emissions**

Purchased goods: The source is all purchased raw materials in the reporting year obtained from Danfoss Global Procurement databases. Calculations are made by Trucost. Trucost uses a social cost per metric tonne of CO<sub>2</sub>e to value GHG emissions, which is the value identified in the UK Government's Stern Report (Stern, 2006) as the central, business-as-usual scenario, adjusted for inflation to 2014 prices using a global weighted average consumer price index (CPI). Transport of finished goods: The sources are records from our transporters. Emission calculations are made using DHL Carbon Dashboard.

**Verified**

No

**Allocation method**

Allocation based on the market value of products purchased

**Please explain how you have identified the GHG source, including major limitations to this process and assumptions made**

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales is used for the allocation. Indirect sales through distributors or wholesalers is not included.

## SC1.2

**(SC1.2) Where published information has been used in completing SC1.1, please provide a reference(s).**

## SC1.3

**(SC1.3) What are the challenges in allocating emissions to different customers, and what would help you to overcome these challenges?**

Allocation challenges	Please explain what would help you overcome these challenges
Diversity of product lines makes accurately accounting for each product/product line cost ineffective	Most of the products manufactured within our product line are varying in size and weight and it is therefore very difficult and time consuming to allocate emissions precisely.
Customer base is too large and diverse to accurately track emissions to the customer level	Many products are sold through OEM's and wholesalers. In these cases we do not know the final customer and can therefore not determine the exact value of the products purchased by e.g. Wal-Mart. It will require a complete list of all products sold to a specific customer as well as detailed LCA studies internally at Danfoss.

## SC1.4

**(SC1.4) Do you plan to develop your capabilities to allocate emissions to your customers in the future?**

Yes

### SC1.4a

**(SC1.4a) Describe how you plan to develop your capabilities.**

We have developed an Environmental Product Declaration and ECO-design method as a measure to estimate/calculate the emissions for a single product or family of products. This method will allow for a detailed calculation of emissions but will be based on generic data. <sup>[1]</sup><sub>SEP</sub> Implementation of methods to enable full material declarations and environmental product declarations on product level is commencing.

Our product lines and factories are very diverse at it will require a tremendous workload to map all internal and external processes to allocate the emissions more precisely to each product.

Allocation of emission to specific customers will therefore continue to be based on the customers' share of the total market value of product, the weight of purchased products or similar allocation methods.

As many products are sold through OEM's and wholesalers we do not know the final customer and can therefore not determine the exact value of the products purchased by each customer.

## SC2.1

**(SC2.1) Please propose any mutually beneficial climate-related projects you could collaborate on with specific CDP Supply Chain members.**

## SC2.2

**(SC2.2) Have requests or initiatives by CDP Supply Chain members prompted your organization to take organizational-level emissions reduction initiatives?**

## SC3.1

**(SC3.1) Do you want to enroll in the 2020-2021 CDP Action Exchange initiative?**

## SC3.2

**(SC3.2) Is your company a participating supplier in CDP's 2019-2020 Action Exchange initiative?**

## SC4.1

**(SC4.1) Are you providing product level data for your organization's goods or services?**

## Submit your response

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I am submitting to	Public or Non-Public Submission
I am submitting my response		Public

**Please confirm below**

I have read and accept the applicable Terms