

# Welcome to your CDP Water Security Questionnaire 2020

## W0. Introduction

### W0.1

#### **(W0.1) Give a general description of 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.

**W0.2**

**(W0.2) State the start and end date of the year for which you are reporting data.**

|                | Start date      | End date          |
|----------------|-----------------|-------------------|
| Reporting year | January 1, 2019 | December 31, 2019 |

**W0.3**

**(W0.3) Select the countries/areas for which you will be supplying data.**

- Brazil
- Bulgaria
- China
- Denmark
- Finland
- France
- Germany
- India
- Italy
- Mexico
- Netherlands
- Poland
- Romania
- Russian Federation
- Slovakia
- Slovenia
- Turkey
- United Kingdom of Great Britain and Northern Ireland

United States of America

## W0.4

**(W0.4) Select the currency used for all financial information disclosed throughout your response.**

EUR

## W0.5

**(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.**

Companies, entities or groups over which operational control is exercised

## W0.6

**(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?**

No

## W1. Current state

### W1.1

**(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.**

|   | Direct use importance rating | Indirect use importance rating | Please explain  |
|---|------------------------------|--------------------------------|---|
| Sufficient amounts of good quality freshwater available for use | Not very important           | Not very important             | <p>The primary use of water in direct operations is for process cooling purposes, sanitary use and testing of products. In the indirect operations, most water is used for the manufacturing of certain raw materials like aluminum, iron, copper and brass, but we have not determined a percentage distribution between own manufacturing processes and the rest of the value chain.</p> <p>We have determined the importance ratings for water quality and quantity for both good quality and lower quality options based on the knowledge of our manufacturing processes.</p> |

|  |                    |                    |   |
|--|--------------------|--------------------|---|
|  |                    |                    | We expect that the future water dependency will remain unchanged compared to present.   |
| Sufficient amounts of recycled, brackish and/or produced water available for use | Not very important | Not very important | <p>The primary use of recycled or produced water in direct and indirect operations is like fresh water for process cooling purposes, sanitary use and testing of products. Brackish water is not used in direct operations but may to a limited extent be used in indirect operations in the upstream supply chain for process cooling purposes and sanitary use.</p> <p>The manufacturing of certain raw materials requires much water, but we have not determined if recycled or produced water is used in indirect operations nor a percentage distribution between own manufacturing processes and the rest of the value chain.</p> <p>We have determined the importance ratings for water quality and quantity for both good quality and lower quality options based on the knowledge of our manufacturing processes.</p> <p>We expect that the future water dependency will remain unchanged compared to present.</p> |

## W2. Business impacts

### W2.1

**(W2.1) Has your organization experienced any detrimental water-related impacts?**

No

### W2.2

**(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?**

No

## W3. Procedures

### W3.3

**(W3.3) Does your organization undertake a water-related risk assessment?**

No, water risks-related are not assessed

### W3.3e

**(W3.3e) Why does your organization not undertake a water-related risk assessment?**

|       | Primary reason   | Please explain   |
|-------|--|--|
| Row 1 | We are planning to introduce a risk assessment process within the next two years | <p>It is expected that a risk management process can be integrated into the existing risk management and business continuity processes. 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.</p> <p>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.</p> <p>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.</p> |

## W4. Risks and opportunities

### W4.1

**(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?**

No

### W4.1a

**(W4.1a) 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.

The risks identified by the risk assessment process are put into an “Impact/vulnerability matrix” to assess the total risk level. “Impact” is scored in four levels from “very low” to “very high” on seven parameters: Financial impact, Impact on brand, Impact on Health/Safety, Environmental impact, Risk velocity, Personal liability and Impact on customer loyalty.

“Vulnerability” is scored in four levels from “very low” to “very high” on four parameters:

Ownership and responsibilities, Capability and skill of people/organization, Current treatment

activities and External influence.

Before the risk treatment for a specific risk is determined, a comparison between the Current Risk Level and the Danfoss Risk Acceptance Level is required. For each single risk, one of the following risk treatment strategies needs to be determined.

- Accept the risk if the comparison reveals no gap. This means that no further risk treatment actions need to be defined.
- Avoid the risk could be one option if the current risk level exceeds the risk acceptance level. It means that specific risks will no longer be taken and related business areas and opportunities should no longer be pursued.  
Mitigate or reduce the risk is the second option if the Current Risk Level exceeds the Risk Acceptance Level. By a defined Action Plan the intention is to lower the Current Risk Level, and close the gap to the Risk Acceptance Level.
- Transfer the risk to a third party is the third option if the Current Risk Level exceeds the Risk Acceptance Level. By a defined Action Plan the intention is to avoid or reduce the company’s risk while pursuing business opportunities.
- Typical examples for risk transfers are insurances or hedging related activities.

## W4.2b

**(W4.2b) Why does your organization not consider itself exposed to water risks in its direct operations with the potential to have a substantive financial or strategic impact?**

|       | Primary reason                                     | Please explain  |
|-------|--|---|
| Row 1 | Risks exist, but no substantive impact anticipated | Water is not a critical component in our product nor is it a business critical element in the production processes. If water supply fails in one location, we are able to uphold production in other locations or deliver products from stock.<br><br>Any impact is not considered substantial to the business. |

## W4.2c

**(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?**

|       | Primary reason                     | Please explain  |
|-------|------------------------------------|---|
| Row 1 | Lack of visibility of supply chain | The risk assessment on water usage in the supply chain is not yet implemented into our risk management processes wherefore we do not yet have a sufficient overview of the risks. We expect to implement a water risk assessment process within the next two years. |

## W4.3

**(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes, we have identified opportunities, and some/all are being realized

## W4.3a

**(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.**

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### **Type of opportunity**

Efficiency

### **Primary water-related opportunity**

Improved water efficiency in operations

### **Company-specific description & strategy to realize opportunity**

we have in the most water consuming factories in e.g. China implemented water saving measures on process water cooling by recycling the cooling water through cooling towers instead of letting the water run directly to the drains. At the headquarter in Nordborg, Denmark, we have installed four 500 kW Industrial heat pumps recovering the excess heat in process cooling water. Previous the excess heat was removed by the use of cooling towers. (released to the atmosphere via evaporation of water in water cooling towers).

The amount of heating energy which is send back into our heating system from the 4 heat pumps corresponds to the heat consumption in approximately 900 single-family houses.

the heat pumps produce ~10,000 MWh/yr

Potential to produce ~15,000 MWh/yr

Cooling water circulated ~250-350 m<sup>3</sup> per hour at 26-30 degree – and cooled down to ~21 degree.

### **Estimated timeframe for realization**

Current - up to 1 year

### **Magnitude of potential financial impact**

Medium

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

Yes, a single figure estimate

### **Potential financial impact figure (currency)**

465,000

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

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

**Explanation of financial impact**

Investment: 1.85 EURm

Subsidies: 0.63 EURm

Net. Investment: 1.24 EURm

Yearly savings

Saved heating consumption: 9,900 MWh (0.775 EURm)

Electricity consumption for heat pumps: 2,475 MWh (0.186 EURm)

Energy tax: 0.12 EURm

Yearly savings: 0.47 EURm

Simple payback time: 2.6 years

## W6. Governance

### W6.1

**(W6.1) Does your organization have a water policy?**

No

### W6.2

**(W6.2) Is there board level oversight of water-related issues within your organization?**

No

### W6.2c

**(W6.2c) Why is there no board-level oversight of water-related issues and what are your plans to change this in the future?**

|       | Primary reason                      | Board level oversight of water-related issues will be introduced in the next two years | Please explain  |
|-------|-------------------------------------|--|---|
| Row 1 | Not a prioritized issue at present. | No   | At present, the company's primary focus is on energy efficiency and carbon neutrality. As water consumption is not (yet) considered business critical, board level oversight is not yet considered. |



## W6.3

**(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).**

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**Name of the position(s) and/or committee(s)**

Risk committee

**Responsibility**

Assessing water-related risks and opportunities

**Frequency of reporting to the board on water-related issues**

As important matters arise

**Please explain**

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.

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**Name of the position(s) and/or committee(s)**

Facilities manager

**Responsibility**

Managing water-related risks and opportunities

**Frequency of reporting to the board on water-related issues**

As important matters arise

**Please explain**

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 risk 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.

**Name of the position(s) and/or committee(s)**

Environment/Sustainability manager

**Responsibility**

Both assessing and managing water-related risks and opportunities

**Frequency of reporting to the board on water-related issues**

As important matters arise

**Please explain**

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.

## W6.4

**(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?**

|       | <b>Provide incentives for management of water-related issues</b> | <b>Comment</b>   |
|-------|--|--|
| Row 1 | No, and we do not plan to introduce them in the next two years   | Incentives to C-suite or board members are related to financial performance, delivery times, product quality and stakeholder satisfaction. |

## W6.5

**(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?**

Yes, direct engagement with policy makers

Yes, trade associations

## W6.5a

**(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?**

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 through our Public Affairs Steering Committee.

## W6.6

**(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?**

No, but we plan to do so in the next two years

## W7. Business strategy

### W7.1

**(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

|   | Are water-related issues integrated?  | Please explain  |
|---|---|---|
| Long-term business objectives               | No, water-related issues not yet reviewed, but there are plans to do so in the next two years | As water consumption for processes or water scarcity is not yet considered business critical, it has been decided not yet to make a formal risk assessment of these issues.<br>As a consequence of the company's new and ambitious climate strategy, we expect to conduct formal review of the water-related issues' impact on our business and strategies within the coming years. |
| Strategy for achieving long-term objectives | No, water-related issues not yet reviewed, but there are plans to do so in the next two years | As water consumption for processes or water scarcity is not yet considered business critical, it has been decided not yet to make a formal risk assessment of these issues.<br>As a consequence of the company's new and ambitious climate strategy, we expect to conduct formal review of the water-related issues' impact on  |

|                    |   |   |
|--------------------|---|---|
|                    |   | our business and strategies within the coming years.  |
| Financial planning | No, water-related issues not yet reviewed, but there are plans to do so in the next two years | As water consumption for processes or water scarcity is not yet considered business critical, it has been decided not yet to make a formal risk assessment of these issues.<br>As a consequence of the company's new and ambitious climate strategy, we expect to conduct formal review of the water-related issues' impact on our business and strategies within the coming years. |

## W7.2

**(W7.2) What is the trend in your organization’s water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?**

Row 1

**Water-related CAPEX (+/- % change)**

0

**Anticipated forward trend for CAPEX (+/- % change)**

0

**Water-related OPEX (+/- % change)**

0

**Anticipated forward trend for OPEX (+/- % change)**

0

**Please explain**

## W7.3

**(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?**

|       | Use of climate-related scenario analysis                 | Comment |
|-------|--|---------|
| Row 1 | No, but we anticipate doing so within the next two years |         |

## W7.4

**(W7.4) Does your company use an internal price on water?**

Row 1

**Does your company use an internal price on water?**

Yes

**Please explain**

The cost of all utilities is a part of the OPEX in alle locations. We do not use an internal price on water higher than the actual cost of water.

## W8. Targets

### W8.1

**(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.**

|       | Levels for targets and/or goals   | Monitoring at corporate level                | Approach to setting and monitoring targets and/or goals   |
|-------|---|--|---|
| Row 1 | Company-wide targets and goals<br>Site/facility specific targets and/or goals | Targets are monitored at the corporate level | <p>Perspective Process:</p> <p>The strategy aka perspective process is a central element to Danfoss. The Board of Directors lay 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 water-related issues are monitored and prioritized by various organizational levels:</p> <ul style="list-style-type: none"> <li>• Global Real Estate: Responsible for facility and utility 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.</li> <li>• Group Public Affairs &amp; Sustainability: Responsible for overall assessment, climate strategy and targets, data collection, monitoring and reporting on Group level.</li> <li>• Segment management: Responsible for own operations including optimization of processes, monitoring of local performance, setting local/factory targets and following up on targets and performance. All factories are ISO 14001 certified and the responsibility for managing water-related issues on factory level lies within the locally operated environmental management systems.</li> <li>• Group Risk Management: Handles group related risk assessments and monitoring.</li> <li>• Group One EHS Steering Committee suggest new or</li> </ul> |

|  |  |  |   |
|--|--|--|---|
|  |  |  | revised water-related targets on Group level to be presented to the relevant internal bodies for review and approval. |
|--|--|--|---|

## W8.1a

**(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.**

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**Target reference number**

Target 1

**Category of target**

Water consumption

**Level**

Company-wide

**Primary motivation**

Reduced environmental impact

**Description of target**

Reduction of water consumption intensity by 50% before 2030 compared to 2007 level.

**Quantitative metric**

% reduction per revenue

**Baseline year**

2007

**Start year**

2015

**Target year**

2030

**% of target achieved**

70

**Please explain**

The water consumption per unit revenue has decreased from 280 m<sup>3</sup>/EURm in 2007 to 170 m<sup>3</sup>/EURm in 2019 due to savings measures and process optimizations. 2030 target is 140 m<sup>3</sup>/EURm.

## W9. Verification

### W9.1

**(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?**

No, we do not currently verify any other water information reported in our CDP disclosure

## W10. Sign off

### W-FI

**(W-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.**

### W10.1

**(W10.1) Provide details for the person that has signed off (approved) your CDP water response.**

|       | Job title                               | Corresponding job category |
|-------|---|----------------------------|
| Row 1 | Head of Public Affairs & Sustainability | Public affairs manager     |

### W10.2

**(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].**

No

## SW. Supply chain module

### SW0.1

**(SW0.1) What is your organization's annual revenue for the reporting period?**

|       | Annual revenue |
|-------|----------------|
| Row 1 | 6,285,000,000  |



## SW0.2

**(SW0.2) Do you have an ISIN for your organization that you are willing to share with CDP?**

No

## SW1.1

**(SW1.1) Could any of your facilities reported in W5.1 have an impact on a requesting CDP supply chain member?**

No facilities were reported in W5.1

## SW1.2

**(SW1.2) Are you able to provide geolocation data for your facilities?**

|       | Are you able to provide geolocation data for your facilities? | Comment |
|-------|---|---------|
| Row 1 | No, this is confidential data                                 |         |

## SW2.1

**(SW2.1) Please propose any mutually beneficial water-related projects you could collaborate on with specific CDP supply chain members.**

## SW2.2

**(SW2.2) Have any water projects been implemented due to CDP supply chain member engagement?**

No

## SW3.1

**(SW3.1) Provide any available water intensity values for your organization's products 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 | Customers          | Public                          |





**Please confirm below**

I have read and accept the applicable Terms