Welcome to your CDP Water Security Questionnaire 2022

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Danfoss engineers advanced technologies that enable the world to build a better, smarter and more efficient tomorrow. In the world's growing cities, we ensure the supply of fresh food and optimal comfort in our homes and offices, while meeting the need for energy-efficient infrastructure, connected systems and integrated renewable energy. Danfoss' solutions are used in areas such as refrigeration, air conditioning, heating, motor control and mobile machinery. Our innovative engineering dates back to 1933 and today Danfoss holds market-leading positions, employing 40.000 and serving customers in more than 100 countries. Danfoss is privately held by the founding family. Danfoss has a two-tier management system consisting of the Board of Directors and the Group Executive Team, including the CEO and CFO. The Board of Directors sets out the general direction for the company by approving strategies and targets, and the Group Executive Team develops and executes the strategy and handles the day-to-day management.

Driven by the potential of an electrified society, and powered by the opportunities of going digital, Danfoss is engineering technology that helps the world to get much more out of less. With the promise of quality, reliability and innovation deeply rooted in our DNA, we deliver an extensive range of products and solutions across our business segments of Danfoss Climate Solutions, Danfoss Drives and Danfoss Power Solutions. The center of our Going Great strategy is an ambition of driving long-term value creation for all our stakeholders: customers, employees, shareholders, and partners. By combining our application know-how and innovative engineering to create smart sustainable solutions, we play a significant role in the green transition towards lower carbon emissions and more electrification, making the world’s energy consumption more sustainable. This is how we work to meet our aspiration: engineering tomorrow and building a better future.

Danfoss Climate Solutions:
As a market leader within cooling and heating, Danfoss Climate Solutions is on a mission to lead the way to a greener future, providing integrated, energy-efficient heating and cooling solutions to enable sustainable development in buildings, cold chains, industrial applications, and infrastructure. Backed by our advanced components, systems, and software, we are actively engineering tomorrow’s HVACR technology with a focus on: energy-efficient solutions

for a sustainable future, world-class expertise anchored in local knowhow, integrated solutions for optimized HVACR systems.

Danfoss Power Solutions:
A leading player and pioneer in the mobile hydraulics market, Danfoss Power Solutions engineers hydraulic, electric and electronic components to optimize machine management. By driving the next generation of hydraulics and electrification, we're enabling industries and machinery to build, move and transform our world in a more energy-efficient and sustainable way. The segment covers four divisions: Electric converters and machines, Electronic controls, Motors and Pumps. 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 Drives:
Danfoss Drives is dedicated to low voltage AC drives that work with any motor or system - for optimal control of electric motors. 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.

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, 2021	December 31, 2021

W0.3

(W0.3) Select the countries/areas in which you operate.

Brazil
Bulgaria
China
Denmark
Finland
France
Germany
India
Italy
Japan
Mexico

Netherlands
Poland
Romania
Russian Federation
Slovakia
Slovenia
Spain
Turkey
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

W0.7

(W0.7) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization.
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	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. 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. 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	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. 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. 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. We expect that the future water dependency will remain unchanged compared to present.

W1.3

(W1.3) Provide a figure for your organization's total water withdrawal efficiency.

	Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend

Row 1	6,753,000,000	1,004	6,726,095.61752988	We anticipate the efficiency to increase

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

W3.3c

(W3.3c) 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	It is expected that a water-related 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. Bow-Tie Analysis is used to analyze the risk and support the risk identification. In a first step 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 identifies the most significant value streams linked to specific customers and the products and/or 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.

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.

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. 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	Risks exist, but no substantive impact anticipated	Danfoss' supply chain is robust and due to a distribution across the globe not prone to risks in the supply chain with substantive financial or strategic impact.

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.

Type of opportunity

Efficiency

Primary water-related opportunity

Improved water efficiency in operations

Company-specific description & strategy to realize opportunity

We have implemented water saving measures at Danfoss Chennai Campus in India. Changes included the installation of a warning system for leakages in washrooms and behavioural changes in cleaning teams and in the kitchen. Additionally, Auto Blowdown was introduced in Cooling Towers and Drip Irrigation and Sprinkler Systems were installed for watering the greenery. The daily consumption of water per employee has reduced from 105 litres/ day to 65 litres/day (40% reduction).

Estimated timeframe for realization

Current - up to 1 year

Magnitude of potential financial impact

Low-medium

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

Cost savings of about 13000 EUR from 2017 to 2020.

W6. Governance

W6.1

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

No, but we plan to develop one within the next 2 years

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.	Yes	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.

W6.2d

(W6.2d) Does your organization have at least one board member with competence on water-related issues?

	Board member(s) have competence on water-related issues
Row 1	Not assessed

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).

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

Other, please specify

Group Executive Team

Responsibility

Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

As important matters arise

Please explain

The Group Executive Team develops the strategy and handles the day-to-day management of the company and execution of the strategy. It has oversight over all business activities, including the climate and environmental targets, KPIs and risks related to climate change and environment. Group Sustainability monitors the water consumption of the organization and resulting risks and opportunities at least annually and reports significant findings in the integrated Annual Report.

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

Risk committee

Responsibility

Assessing water-related risks and opportunities
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 submits an annual report to the Risk & Compliance Committee, Board of Directors, Audit Committee and Executive Committee. The Risk & Compliance Committee supervises 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?

	Provide incentives for management of water-related issues	Comment
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 members of the Executive Committee, the heads of our three segments and the head of developing regions).

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

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. 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. 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. 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

No change is expected for the water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year and the next reporting year.

W7.3

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

	Use of 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 all locations. We do not use an internal price on water higher than the actual cost of water.

W7.5

(W7.5) Do you classify any of your current products and/or services as low water impact?

	Products and/or services classified as low water impact	Primary reason for not classifying any of your current products and/or services as low water impact	Please explain
Row 1	No, and we do not plan to address this within the next two years	No instruction from management	Our products are not using water during the use phase and our processes are not water intense. Some products do however contribute to water saving when used by the customer/end-user.

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 Site/facility specific targets and/or goals	Targets are monitored at the corporate level	Perspective Process: 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

	Basin specific targets and/or goals		strategies and targets through their respective organizations. The water-related issues are monitored and prioritized by various organizational levels: • 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. • Group Sustainability: Responsible for overall assessment, climate strategy and targets, data collection, monitoring and reporting on Group level. • 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. • Group Risk Management: Handles group related risk assessments and monitoring. • Group One EHS Steering Committee suggest new or 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.

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

93

Please explain

The water consumption per unit revenue has decreased from 280 m3/EURm net sales in 2007 to 149 m3/EURm net sales in 2021 due to savings measures and process optimizations. 2030 target is 140 m3/EURm net sales.

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, but we are actively considering verifying within the next two years

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 Group Sustainability & ESG	Other, please specify Vice President

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	6,753,000,000

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 understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

The European Climate Pact Submission

Please indicate your consent for CDP to showcase your disclosed environmental actions on the European Climate Pact website as pledges to the Pact.

No, we do not wish to pledge under the European Climate Pact at this stage

Please confirm below

I have read and accept the applicable Terms