



ESG materiality assessment

Materiality assessment

Double materiality assessment

Our materiality assessment is based on the robust analysis of the economic, environmental, and social impacts of our business. We used best-practice sustainability reporting standards to identify the most material issues for Danfoss. We applied the principle of double materiality to identify the topics with the highest impact on the business and topics that affect the resilience of the organization and the ability to deliver long-term value to our customers and society. In 2021 we identified and prioritized our ESG topics.

Mapping our ESG topics

The process involved creating a list of 100 potential material topics across all environmental, social, and governmental dimensions. Respondents included key internal and external stakeholders, involving senior management, employees from local entities all around the world, selected customers, financial institutions, and communities. This was combined with additional analysis of global sustainability

trends, peer reviews, and external reports, which formed the foundation for the identification and prioritization of the ESG issues most critical to the organization.

Conclusion were that we have a credible sustainability foundation with many ESG topics in place. In total, 10 topics were defined as the most material issues for Danfoss, which are the ones displayed in the top right corner of the materiality matrix.

Setting a clear ESG direction

The top 10 material topics were translated into key initiatives on Decarbonization, Circularity, and Diversity & Inclusion and resulted in a clear direction for Danfoss' ESG strategy.

Roadmaps and programs have been built for the defined focus areas, and a clear governance structure was created to facilitate measurable progress in each of these areas and ensure proper alignment across the entire organization.

The focus areas, or "step-change Initiatives," guide our approach on ESG and our vision for the future.



Top 10 materials topics for Danfoss identified based on materiality assessment

Environment

- 1 GHG emissions in product lifecycle (scope III)
- 2 Circular product design
- 3 GHG emissions in Danfoss operations (scope I)
- 4 Resource management
- 5 GHG emissions from procured energy (scope II)

- 6 Waste management & recycling
- 7 Pollutant emissions
- 8 Water management
- 9 Protecting biodiversity

Social

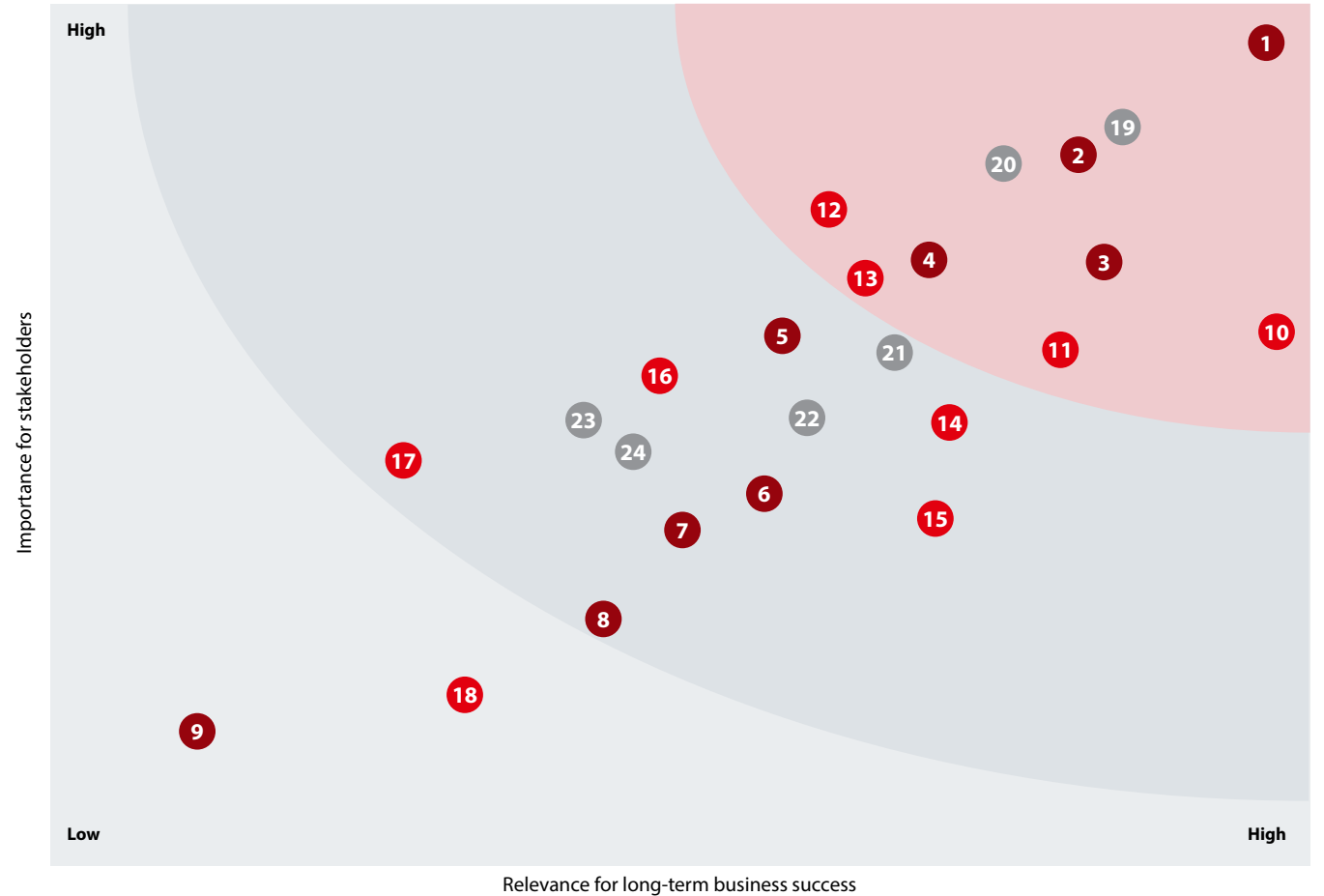
- 10 Diversity & Inclusion
- 11 Employee development and retention
- 12 Product quality and safety
- 13 Innovation and research
- 14 Health and safety

- 15 Community engagement & impact
- 16 Human rights
- 17 Selling practices & labelling
- 18 Corporate philanthropy

Governance

- 19 SC sustainability & responsible procurement
- 20 Transparency, accountability & reporting
- 21 Regulatory compliance

- 22 Corporate governance & control
- 23 Systematic risk management
- 24 Data governance & privacy





Further information available
on Danfoss' website: www.danfoss.com

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