

Circular Economy,

Policy Implementation & Governance Document

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Approver: Kim Fausing

This document outlines the implementation and governance of our Danfoss Group Policy on Circular economy included in our Policies on Business Conduct, underlining our commitment to sustainable production of decarbonization solutions enabling future generation to meet their needs. Read the Policy [here](#).

1. Commitment

Danfoss is committed to reducing carbon emissions and resource consumption. We have signed up for SBTi targets, joined the Ellen MacArthur Circular Economy Foundation, joined the First Mover Coalition, have established sustainability teams and leadership throughout our entire business, and have embedded sustainability goals and targets into our business. Our focus areas include:

- Helping customers decarbonize their operations
- Designing and market products with circularity in mind
- Reduce resource consumption in existing business
- Build relationships with customers and suppliers enabling a circular economy

2. Scope of Application

The Policy applies to the Danfoss Group, i.e., Danfoss A/S and each of its subsidiaries under Danfoss A/S's direct or indirect control, e.g., ownership of the majority of shares or the right to appoint the majority of its directors.

3. Implementation

Danfoss Group Sustainability team establish goals, objectives, and methods supporting each business segment to meet their circularity goals contributing to Danfoss Group circularity goals. The enable a transition towards a competitive operations based on a circular economy Group Sustainability supports the following processes:

- **Circularity in product development:** We have, and will continue to do so, developed and implemented tools, methods, and training that support our product development teams in bringing products to the market that reduce our resource consumption
- **Circular Business growth:** We have defined targets for circular revenue growth which is segment is responsible for contributing to through e.g. service growth, take-back services, redesign of products, transport reduction, and re-design of packaging.
- **Sustainability Leadership team:** In each segment we have senior leadership representative responsible for Circular economy and reaching our targets on circular economy.
- **Sustainability teams:** Each segment have a team dedicated to driving and supporting the business in the circular transition. The teams consist of highly skilled specialists that play a key role as change agents in the transition while facilitating a transparent reporting of results.
- **Employee engagement:** We regularly train employees in circularity and sustainability topics in general and also perform specialized training in e.g. sales and new product development. We have also established an academy with trainings available within a range of circularity topics that readily available for all employees.

4. Roles and Responsibilities

The Policy is anchored with the Group Risk & Compliance team. Further, the Policy has been formally approved and signed by our Chief Executive Officer (CEO), Kim Fausing. To effectively implement the Policy, clear roles and responsibilities have been established.

The Chief Sustainability Officer centrally coordinates and monitors the development in sustainability goals and ambitions. Together with the ESG Leadership-Team the integration of Circular economy into relevant business processes is ensured in all segments.

5. Training

Based on their job function employees receive relevant training that is planned according to need.

Depending on the job function trainings contain:

- Danfoss position on, and commitment to, emissions targets, sustainability, and circular economy
- Tools and methods for enabling circular economy in their specific job function

By incorporating these training elements, Danfoss strives to have employees well-equipped to enable a circular economy in our options effectively and maintain compliance with regulations and our policies.

Danfoss A/S

President and CEO
Kim Fausing