Climate Transition Plan

2026

Explore our solutions
danfoss.com

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Enabling the transition

About this report
This Climate Transition Plan contains forward-looking statements involving dependencies, impacts, risks, and opportunities relating to our climate-related commitments, targets, and actions to reduce emissions across the value chain. It includes forward-looking statements based on disclosed assumptions about events that may occur in the future and possible future actions by the Group. As the statements are forward-looking, these are inherently subject to uncertainties and reflect our current projections about future events, conditions, and assumptions. Changing regulations, technological advancements, economic conditions, and geopolitical events can all significantly impact the accuracy of our plans.

The Climate Transition Plan was approved by the Danfoss Board of Directors and shareholders at the Annual General Meeting on April 22, 2026.

Feedback or questions?
Our sustainability mailbox is open to receive and address questions or feedback relating to our Climate Transition Plan.

Email: sustainability@danfoss.com

Cover photo
The Danfoss heat exchanger station is part of our decarbonization strategy at our headquarters in Nordborg, Denmark. It's a key element of our decarbonization tour, where we demonstrate to customers and partners how Danfoss solutions can be applied to minimize carbon emissions in industry. The heat exchanger station plays a crucial role in the local district heating network, facilitating the transfer of heat for residential and commercial purposes in the area. Within the system, Danfoss VLT® drives control the speed of pumps and motors to ensure stable and efficient operation of the heat transfer process. Our advanced heat exchanger technology minimizes the loss of energy when transferring heat from local to public district heating network.

CSO letter

Driving competitive decarbonization and reaffirming our commitments

To our stakeholders,

At Danfoss, our purpose is clear: we engineer a better future. With sustainability at the core of our business, we drive competitiveness for Danfoss and for our customers.

Since the release of our first public Climate Transition Plan one year ago there have been many highlights. I am especially proud to share that we, five years ahead of plan, achieved our SBTi-validated target to reduce our own emissions by 46.2% by 2030. In 2025 alone, we reduced our emissions by 33%. We have since updated our near-term science-based targets and set a new long-term target to achieve net-zero across the value chain by 2050.

With the publication of our 2026 Climate Transition Plan, we are sharing more details related to our updated and SBTi-validated targets. We outline, in particular, the decarbonization levers within our competitive decarbonization approach, as well as the investments we expect will be needed to reach our goal of decarbonizing Danfoss by 2030.

Moving forward, we will report progress against our plan on an annual basis. To reach our ambitious targets, we will continue to work with our customers and partners to drive measurable impact.

Thomas M. Auerbach
Chief Sustainability Officer &
Head of Danfoss Finance Functions

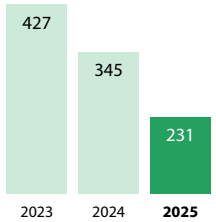
Progress and highlights

In 2025, we improved our operational and sustainability performance.

Our sustainability ratings improved while we continued to decouple our growth from our emissions.

Total scope 1 and 2 GHG emissions

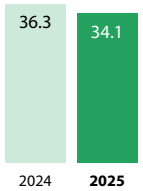
ktCO$_2$e



In 2025, we reduced our own emissions (scope 1 and 2) by 33% and by 51% since 2019.

Scope 3 economic intensity

tCO$_2$e per EURm gross profit



We reduced our scope 3 economic intensity by 6% and physical intensity in our compressors business by 3%.

Decarbonized operations

Factories

15 sites

In addition to our headquarters in Nordborg, Denmark, we have decarbonized 14 factories across the Americas, Europe, and Asia.

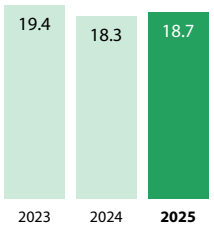
CDP

Leadership tier

Danfoss achieved an A- rating in CDP's Climate Change and Water Security assessments, earning a Leadership tier position for strong climate action, transparent reporting, and environmental resilience.

Avoided emissions

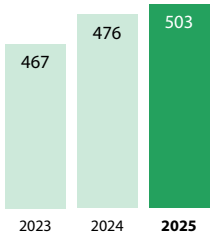
MtCO$_2$e



Danfoss drives sold over the past three years will enable approximately 56 million tons of CO$_2$e in expected avoided emissions over their lifetime.

Innovation

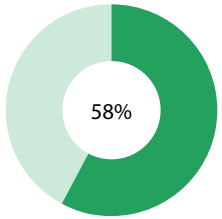
EURm



Our investments in competitive, innovative, and sustainable solutions increased to 5.3% of sales in 2025.

Green Ask spend coverage

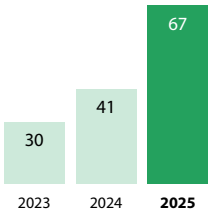
%



We expanded the Green Ask supplier engagement program covering 58% of our EUR 3.5b annual purchase spend in 2025.

Share of renewable electricity

Target 2035: 100% renewable electricity



In 2025, our energy consumption reduced by 2% at an organic sales growth of 3%. The share of green electricity increased to 67%.

EcoVadis

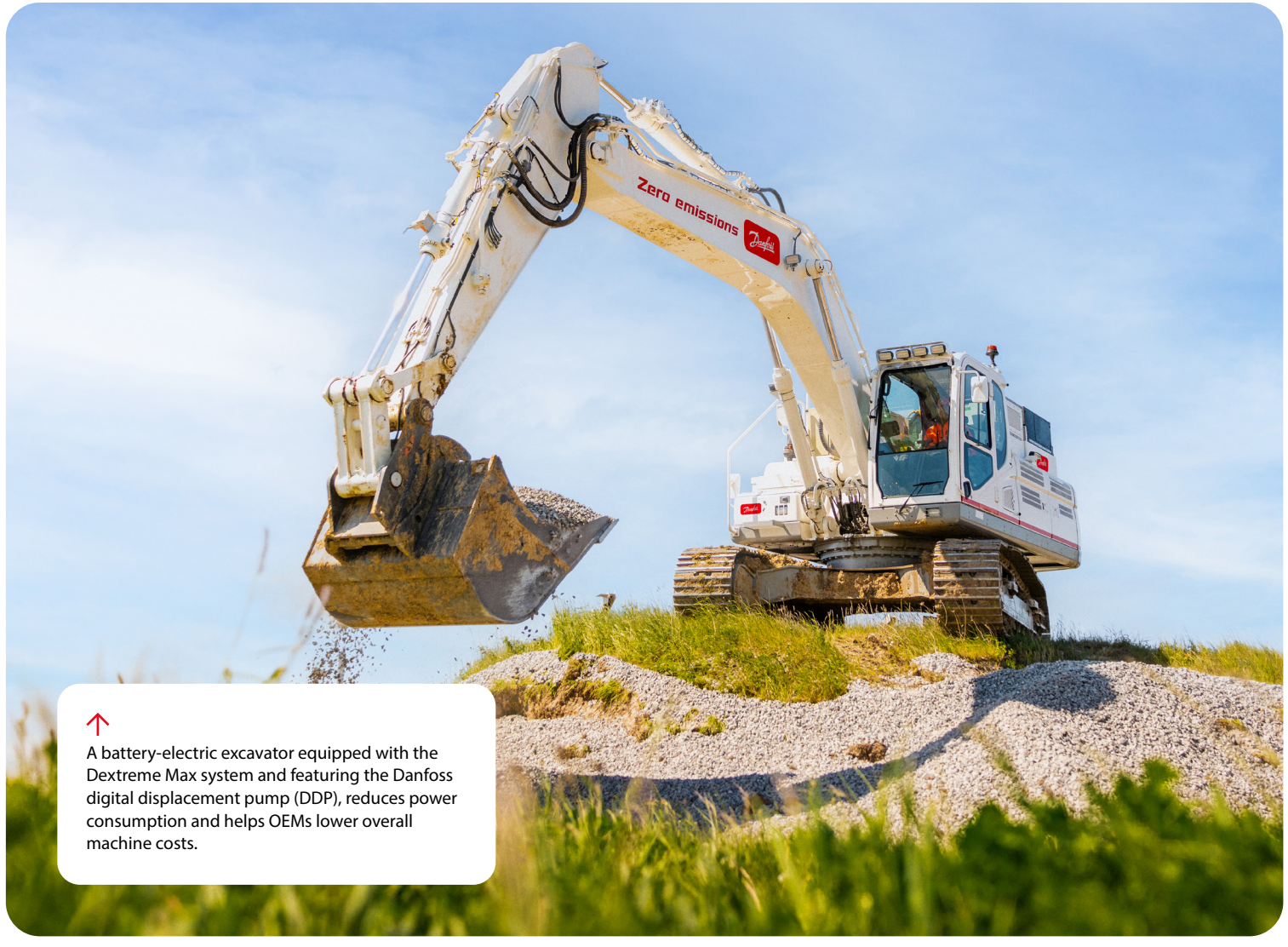
%

In 2025, Danfoss was awarded the EcoVadis Gold Medal in recognition of our sustainability performance.

2025 highlights exclude discontinued operations, comparables are restated where relevant.

Our decarbonization strategy

Contents



A battery-electric excavator equipped with the Dextreme Max system and featuring the Danfoss digital displacement pump (DDP), reduces power consumption and helps OEMs lower overall machine costs.

Avoided emissions: Part of the Danfoss value proposition

We engineer solutions that enable us and our customers to do more with less.

Avoiding emission for our customers

Danfoss engineers solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification. As a technology leader in the green transition, Danfoss has significant potential to drive competitive decarbonization together with our customers.

The positive climate impact of Danfoss' product portfolio is therefore generated through avoided emissions. Avoided emissions represent potential savings for our customers and end users of our products. For our customers, this means that our solutions — when replacing more carbon-intensive alternatives — help avoid emissions during use.

Reducing emissions with Danfoss Drives

Every year, our Danfoss Drives business delivers more than two million variable speed drives to customers across the globe. Over their lifetime, these drives will save approximately 19 million tons of CO_2e.[1]

The Danfoss Avoided Emissions methodology

Our third-party approved Danfoss Avoided Emissions methodology applies to variable speed drives and is inspired by the World Business Council for Sustainable Development (WBCSD) guidance on avoided emissions. The methodology covers eligibility checks, reference scenarios, as well as calculation and interpretations with an emphasis on transparent reporting and communication.[2]

19 million tons of CO_2e saved

We estimate that our variable speed drives sold in 2025 will enable approximately 19 million tons CO_2e of expected avoided emissions over their lifetime.

Third-party verified

We build trust and promote transparency through our third-party verified, publicly available Danfoss Avoided Emission methodology.

[1] Avoided emissions are third-party verified and estimated using the Danfoss Avoided Emissions methodology which is inspired by the WBCSD guidance on avoided emissions. The methodology applies conservative assumptions and compares the lifetime emissions of Danfoss solutions with reference scenarios. It applies to Danfoss Drives products and also serves as guidance for other stakeholders in the variable speed drives industry.

[2] The Danfoss Avoided Emission methodology has been third-party verified by FORCE Technology Denmark (2024).

Case story

Avoided emissions in practice: Co-op in Edinburgh, Scotland

The challenge

Supermarkets have significant energy demands for heating and cooling purposes, making the implementation of low carbon, energy-efficient strategies essential. At the same time, they also hold a unique opportunity to become active contributors to a smart, integrated energy ecosystem — where supermarket refrigeration and residential heating operate together as one intelligent, interconnected system.

The solution

During their visit to the Danfoss Smart Store in Nordborg, Denmark, Co-op UK, one of the world's largest consumer-owned cooperatives, got to experience the full potential of our solutions.

The Danfoss Smart Store is a food retail supermarket fully equipped with Danfoss technologies. It functions as an Application Development Center, showcasing how supermarkets can reduce their costs and accelerate decarbonization.

In its first operational year, the store reached self-sufficiency for its comfort heating. It even sold an energy surplus of 23 MWh of recovered excess heat and 21 MWh of excess electricity from its solar panels back to the grid.

Third-party verified data and our Danfoss methodology confirm the store, in its first year, lowered emissions by 39% compared to a store of similar size.[1]

The UK retailer, inspired by Danfoss' commitment to decarbonization, now partners with Danfoss to drive energy efficiency, optimize integrated refrigeration, and smarter building management solutions for Co-op UK supermarkets.

[1] Third-party verified by FORCE Technology Denmark.

↑

Industrial processes demand precision and performance as the shift to low-carbon operations accelerates. Our advanced technologies and solutions, such as the heat pump rack mounted with Danfoss BOCK® compressors, support our customers in decarbonizing energy-intensive industries. They enable reliable cooling and heating, and high efficiency in complex environments, while maintaining competitiveness in the global market.

Decarbonizing Danfoss

Our solutions enable decarbonization across industries, accelerating the transition to a low-carbon economy.

Targets

Science-based targets

In 2025, we reconfirmed our commitment to driving competitive decarbonization and updated our scope 1, 2, and 3 targets, all approved by the Science Based Targets initiative (SBTi).

With our updated science-based target on scope 1 and 2, we aim to achieve a 90% emissions reduction by 2035 from a 2024 base year. Our ambition is to reach the 90% reduction compared to our 2019 base year, already in 2030.

As global demand for sustainable solutions rises, so does the demand for our energy-efficient and lower-emitting products and solutions. To better align our sustainable growth with our climate commitments, we have updated our scope 3 science-based targets to be intensity-based.

We reaffirmed our value chain commitment and updated our SBTi-target to reduce scope 3 emissions by 66% per EUR value added by 2035, compared to a 2024 base year.

As a manufacturer of energy-efficient compressor technologies, we aim to take the lead within sustainability in the compressor industry. To achieve this, we also commit to reducing emissions from the use of sold products by 66% per ton of refrigeration from sold compressors within the same timeframe.

Raising the bar further, we have a new target to achieve net-zero across the value chain by 2050.

Climate Group initiative targets

Through the Smart Energy Coalition (former EP100), we commit to doubling our economic output from every unit of energy consumed by 2030, compared to 2007. From 2030 in advanced markets and from 2035 in all other markets, we commit to purchasing only zero-emission light-duty vehicles. We will also transition our heavy-duty fleet to zero-emission vehicles and commit to only procuring zero-emission vehicles from 2040 (EV100). Lastly, we commit to using 100% renewable electricity across our operations by 2030 (RE100).

Scope 1 & 2

≥90%

With our updated science-based target, we aim to achieve a 90% absolute emissions reduction in 2035 from a 2024 base year.

Our ambition is to reach the 90% reduction compared to our 2019 base year, already in 2030.

We commit to doubling our economic output from every unit of energy consumed by 2030, compared to 2007.

We commit to using 100% renewable electricity across our operations by 2030.

Scope 3

66%

By 2035, we aim to achieve a 66% reduction in the intensity of our scope 3 emissions per gross profit, from a 2024 base year.

Additionally, we aim to achieve a 66% reduction in the intensity of our scope 3 emissions from the use of sold products per ton of refrigeration from our commercial compressors business.

Net-zero

Net-zero by 2050

Danfoss commits to achieve net-zero greenhouse gas emissions across the value chain by 2050.

Our path to net-zero

We are committed to achieving net-zero across the value chain by 2050.

Our approach

We take a strategic and collaborative approach to address climate change. Our approach integrates environmental leadership practices, actions that strengthen long-term environmental resilience, and targets to reduce emissions across the value chain.

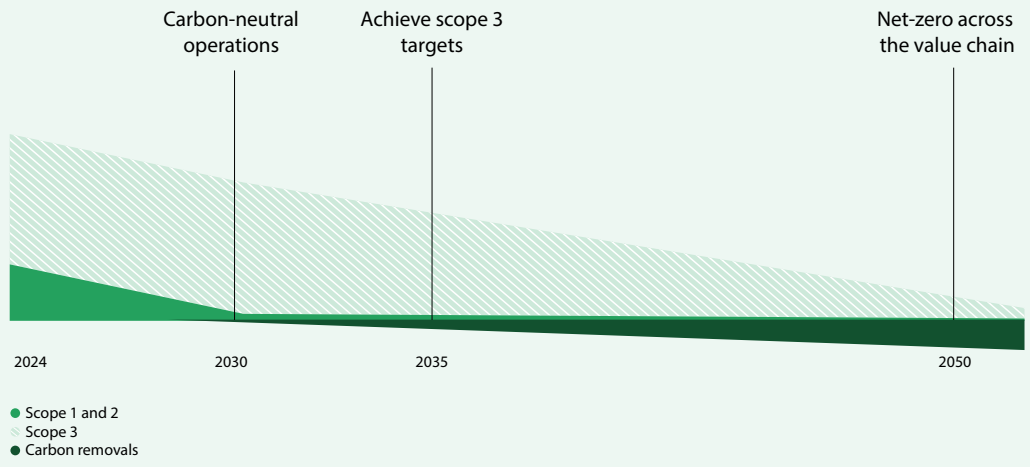
In competitive decarbonization, sequence matters
Applying the three principles of our competitive decarbonization approach — Reduce, Reuse, Re-source — is a cost-efficient way to drive industrial decarbonization and represents a significant source of future growth for our customers and partners.

To decarbonize, we reduce energy waste by scaling energy-efficient technologies and increasing machine productivity. Secondly, we reuse energy through energy recovery and sector coupling. Thirdly, we re-source green energy by replacing fossil fuels with renewable energy sources. Through electrification, we can lower emissions and become more efficient, enabling a future energy grid powered by renewables.

Achieving net-zero
In decarbonizing our operations, we focus primarily on actual emissions reductions with only a limited use of credits and offsets. To reach net-zero, we will rely on permanent carbon removal solutions for residual, hard-to-abate emissions that cannot be eliminated, in line with the SBTi Corporate Net-Zero Standard.

Target-setting methodology
Our targets are based on a screening of our activities and do not exclude any mandatory emissions categories as per the guidance of the Science Based Targets initiative (SBTi). In setting out targets, we align with the standards and recommendations provided by the SBTi and with the Paris Agreement's goal of limiting global warming to 1.5°C.

Our path to net-zero
(for illustrative purposes)



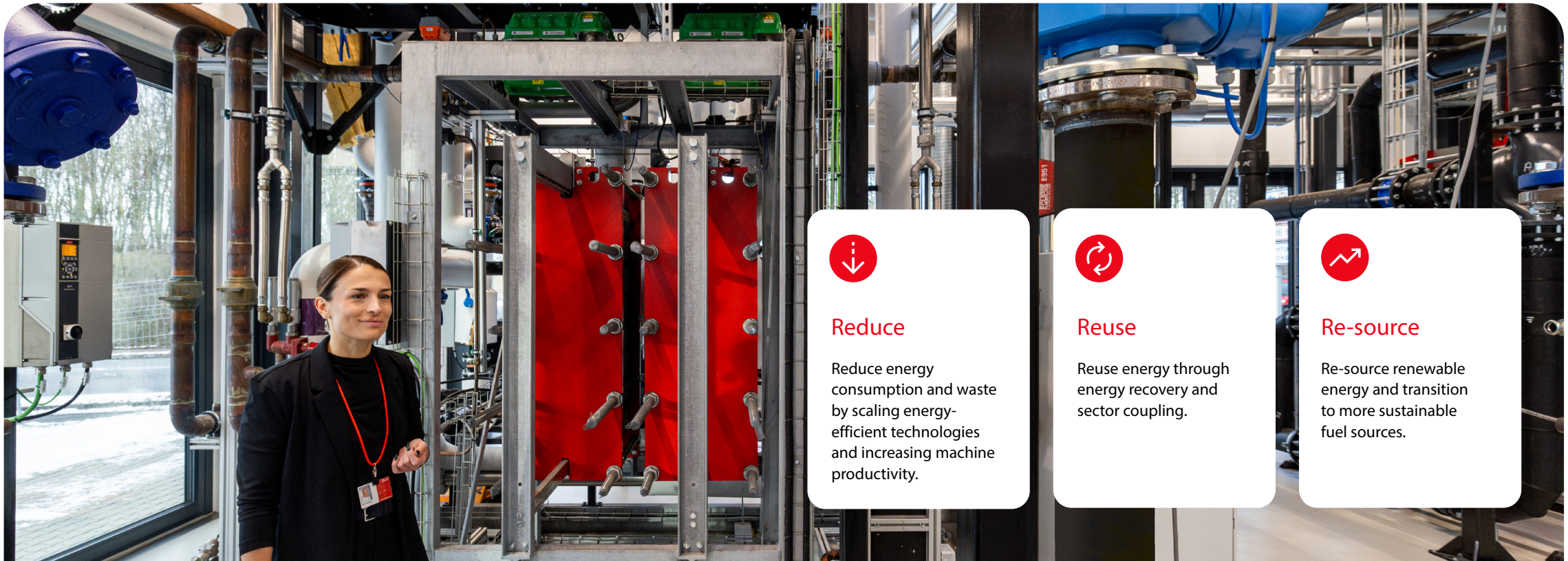
In competitive decarbonization, sequence matters

To decarbonize in a competitive way, we must take steps in the right order.

Our stepwise approach — Reduce, Reuse, Re-source — presents a viable, replicable, and cost-efficient pathway to industrial decarbonization.

This approach applies to even the most hard-to-abate sectors. As a technology leader enabling the green transition, we have significant potential to accelerate competitive decarbonization together with our customers.

↓ Our leading sustainable technologies and solutions optimize energy efficiency and heat recovery in the Danfoss data center in Denmark.



Reduce

Reduce energy consumption and waste by scaling energy-efficient technologies and increasing machine productivity.

Reuse

Reuse energy through energy recovery and sector coupling.

Re-source

Re-source renewable energy and transition to more sustainable fuel sources.

Decarbonizing our own operations

With our competitive decarbonization approach, we are committed to decarbonizing Danfoss by 2030.

In 2025, five years ahead of plan, we achieved our former SBTi-validated target to reduce our own emissions (scope 1 and 2) by 46.2% by 2030. In 2025 alone, we reduced our own emissions by 33% compared to 2024, and by 51% since 2019.

Decarbonization levers

To achieve our updated decarbonization targets, we are executing our 2030 roadmaps, which outline our decarbonization levers and the investments needed to deliver them.

Driving energy efficiency
Energy efficiency through heat reuse, electrification, smarter energy use through, for example, variable speed drives can deliver significant scope 1 and 2 emissions reductions.

Electrification
We see electrification as a key enabler of industrial decarbonization. Electrification enables multiple process optimizations. Also, the trend of increasing renewables in the energy mix in the countries in which we operate in is expected to continue.

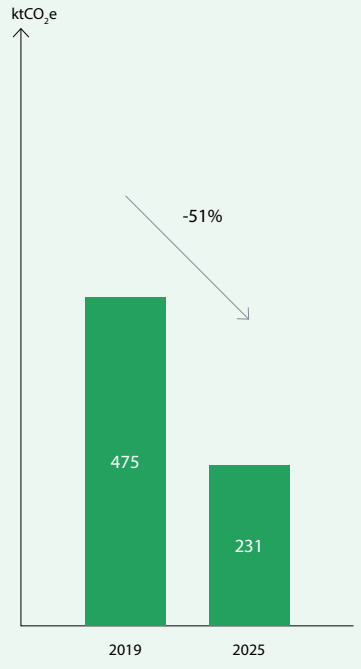
Transitioning to lower GWP cooling agents
Some of our processes require cooling agents that have a high global warming potential (GWP). We are optimizing and changing our processes to reduce their impact on our emissions.

Shifting to more sustainable energy sources
In line with Climate Group initiative target of sourcing 100% of renewable energy, we anticipate power purchasing agreements to be an important decarbonization lever for our scope 2 emissions.

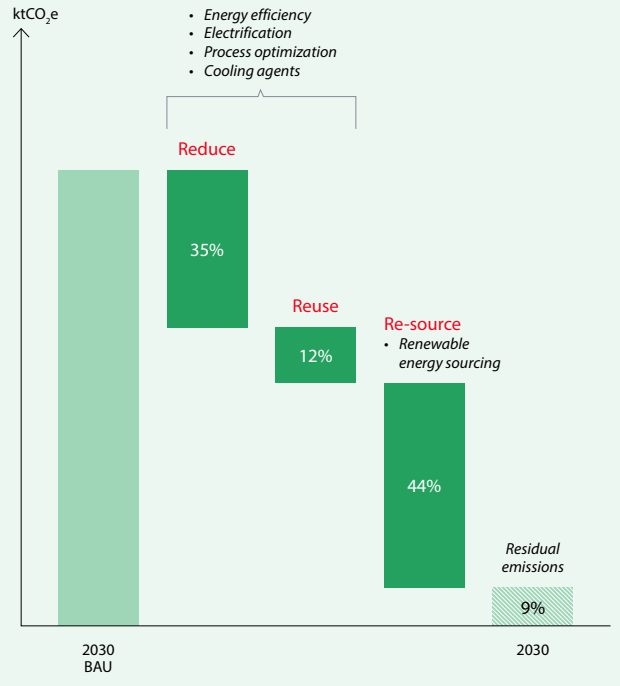
Residual emissions
As the regulatory and climate standards frameworks mature, and once solutions reach commercial availability, we will consider using direct carbon removals to address our residual emissions.

Financing our decarbonization
We estimate our future overall operation decarbonization investment until 2030 to be more than EUR 50m.

Our progress
(actual)



Our path to decarbonized operations
(illustrative)



Case story

Competitive decarbonization in practice: Haiyan, China

The challenge

We have committed to reducing our scope 1 and 2 emissions by 90% by 2030. Our challenge is therefore to decouple our economic growth from our operations emissions.

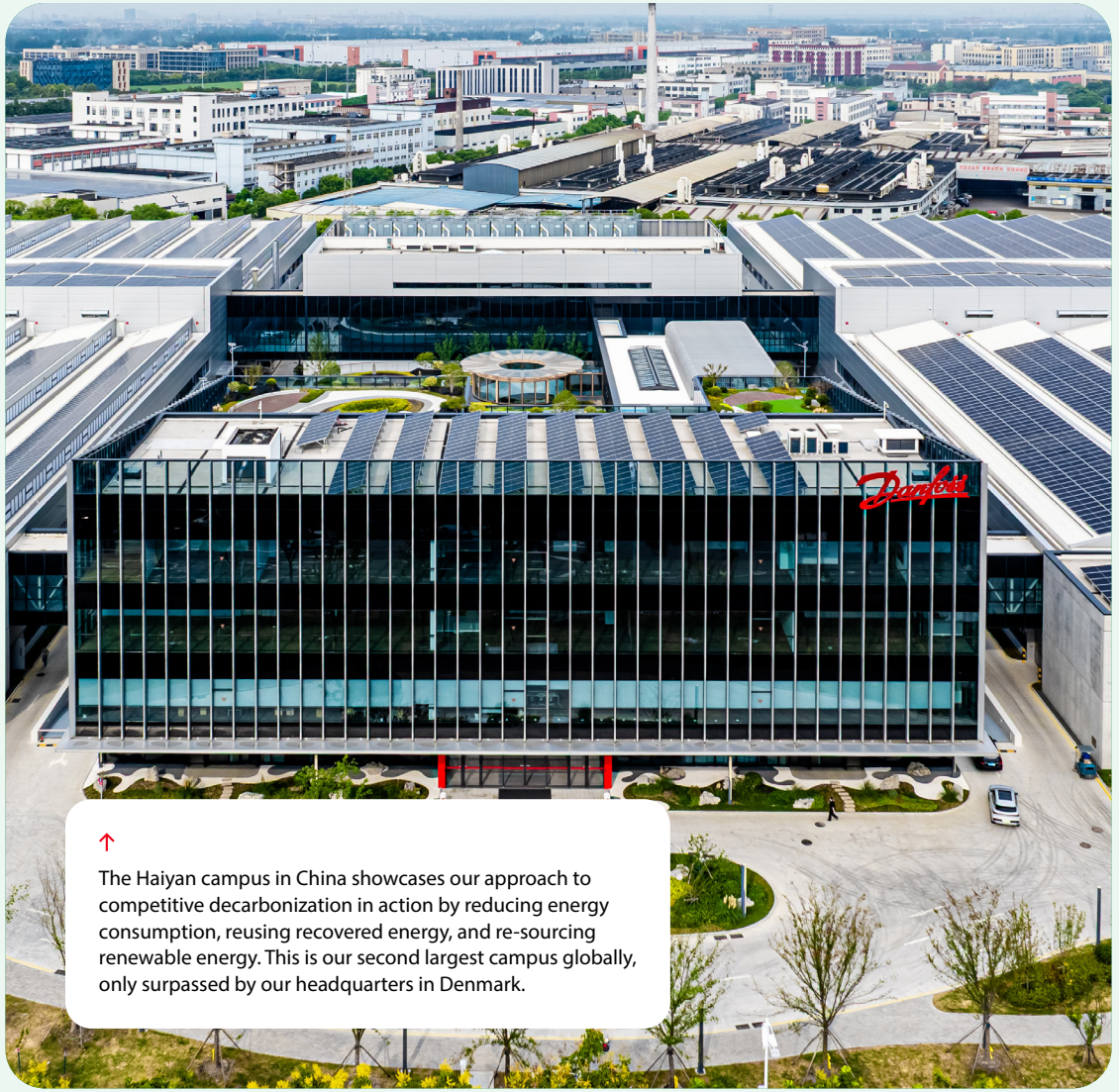
The solution

In 2025, we inaugurated our largest global production facility in China. Spanning 126,000 square meters, our Haiyan Second Campus more than doubles Danfoss' presence in the region.

The site is equipped with Danfoss technologies and solutions such as the Danfoss Turbocor® compressor chiller stations, which improve the efficiency of the central cooling system by 50% compared to conventional solutions. Danfoss heat pumps and scroll compressors enable heat recovery from the condenser and ventilation systems, supporting the supply of heating and hot water to the site.

Additionally, a rainwater recycling system reduces our reliance on external water sources. Our more efficient heat pump and recovery solutions contribute to 20% of the site's total energy savings, compared to the use of traditional boilers. In addition, the site is covered by a power purchase agreement (PPA) and has therefore run on 100% renewable-sourced electricity since day one. From 2025, this RE100-compliant PPA reduces our scope 1 and 2 carbon emissions by 25,000 tons every year, equivalent to 56% of Danfoss' emissions in China and 10% globally.

With the new campus in operation, our expanded presence in Haiyan now integrates manufacturing for all three of our business segments as well as two Application Development Centers. The new campus not only strengthens our China-for-China market focus, but also underscores our long-term commitment to supporting China's green transition and development.



↑ The Haiyan campus in China showcases our approach to competitive decarbonization in action by reducing energy consumption, reusing recovered energy, and re-sourcing renewable energy. This is our second largest campus globally, only surpassed by our headquarters in Denmark.

Upstream value chain

Regionalizing our footprint and engaging with suppliers to source low-carbon materials.

Our approach

Our upstream focus is on minimizing the carbon footprint embodied in the materials and production of our products. And by doing so, we also contribute to reducing our customers' product carbon footprint. To achieve this, we engage with our suppliers to source low-carbon materials, while integrating sustainability in our procurement processes and product design.

Decarbonization levers

Driving impact with our suppliers

Through our supplier engagement program, the Danfoss Green Ask, we are working with our suppliers to improve greenhouse gas emission data, implement emissions reduction initiatives, and promote the sourcing of renewable energy. In 2025, we expanded our supplier engagement program which now covers 58% of our annual purchase spend (2024: 40%).

Regionalizing our supply chains

We are regionalizing our footprint to become more resilient, competitive, and sustainable. By doing so we source, produce, and sell within the same region, while also reducing our carbon footprint.

Sourcing of low-carbon materials

Through the First Movers Coalition, we support the development of low-carbon aluminum and commit to purchasing at least 10% (by volume) low-carbon primary aluminum by 2030, while ensuring that at least half of all aluminum used is composed of secondary aluminum by 2030. Driven by these commitments, we have begun transitioning to green aluminum, testing both low-carbon virgin aluminum and aluminum with higher recycled content in our product design.

Integrating carbon pricing

We are piloting a carbon price into our procurement decision-making processes. By factoring in a carbon price in our purchased goods as well as production equipment, our teams are provided with further transparency into how to reduce our product carbon footprint.

Case story

Accelerating decarbonization with low-carbon aluminum in micro channel heat exchangers

As aluminum accounts for around 15% of our upstream emissions, every step we take to address the impacts from the materials in our products counts. To meet our decarbonization targets, we are focusing our efforts on raw materials that have the highest decarbonization potential.

In 2025, Danfoss secured a significant agreement together with a leading aluminum supplier, enabling our micro channel heat exchangers business to transition to low-carbon aluminum produced using 100% renewable energy.

By partially replacing conventional aluminum with low-carbon aluminum, we estimate that the average carbon footprint of the material used will be reduced by around 25% in our micro channel heat exchangers business.

Downstream value chain

Delivering energy savings to our customers has always been one of our key value propositions.

Our approach

Our downstream emissions are primarily driven by the emissions from the use of our products and account for approximately 97% of our total emissions. Across our three segments we work with decarbonization levers which include investment in optimization and energy-efficiency, transition to next-generation technologies, and automation.

Decarbonization levers

Innovation spend

We invest to continuously develop more efficient and lower-emitting solutions for our customers. In 2025, we maintained a high level of R&D expenses of EUR 503m (2024: 476m), corresponding to 5.3% of sales (2024: 5.0%).

Improving product efficiency

We are improving the performance of our products through better design and component choices. This includes reducing energy losses by increasing efficiency, adopting new technologies, and applying improved working principles to further enhance product efficiency and productivity.

Optimizing energy use

By integrating intelligent features into our products and developing energy-optimizing services, software, and control solutions, we help customers run their systems more efficiently. Our performance optimization tools ensure that our products consume less energy during their lifetime in customers' applications.

Accelerating lower-emitting solutions

By providing optimal technology and solutions for specific applications, we contribute to our customers' emissions reductions. Across our business segments, we are exploring lower-emitting technologies and collaborating with customers to implement innovative solutions together.

Engaging with peers

To support our ongoing climate actions, we joined the World Business Council for Sustainable Development (WBCSD) Climate Action program in 2025. We engage to support knowledge-sharing and best practices on climate-related topics across different sectors, industries, and geographies.

Case story

Our next generation of drives — cutting energy use and CO_2 emissions by up to 30%

Continuing the roll-out of the iC7 series, our premium next-generation intelligent drives deliver more compact, more reliable, and higher-performing drives than previous generations.

Particularly in terms of energy efficiency, the iC7 series offers up to a 30% reduction in energy consumption compared to previous generations, thereby lowering operating costs and helping customers reduce their CO_2 emissions.

By minimizing energy losses both within the drive and across the system, the iC7 series delivers significant energy efficiency and CO_2 savings for customers while also supporting Danfoss' own emissions reduction efforts.

2025 Progress

With sustainability as a key driver of our competitiveness, Danfoss is accelerating the green transition.

Progress

By reducing our emissions by 51% in 2025 compared to our 2019 base year, we are firmly tracking toward our 2030 target.

We achieved a decrease of 6% in scope 3 economic intensity compared to 2024. We also achieved a decrease of 3% in the physical intensity from our compressors business.

As a proud triple joiner of the Climate Group initiatives, we also made progres on each of our targets and are well on track to meet our renewable and energy productivity targets.

Within circularity, in 2025, 28% of all new product developments initiated were covered by our circularity approach. Circular business revenues were flat in 2025. Going forward we will expand our service and aftermarket offerings.

Decarbonization	Base year	2025 Progress	Target year: target
Scope 1 and 2*	2019	-51%	2030: -90%
Scope 3 (economic intensity)	2024	-6%	2035 : -66%
Scope 3 (physical intensity)	2024	-3%	2035 : -66%
Electrification of vehicles (EV100)	2019	28%	2030: 100%
Renewable electricity (RE100)	2019	67%	2030: 100%
Smart Energy Coalition (former EP100)	2007	67%	2030: 100%

Circularity			
New product development	N/A	28%	2030: 80%
Circular business revenues	2023	0%	2030: 25%

* Our scope 1 and 2 target includes an intermediary milestone to reduce our absolute scope 1 and 2 emissions by 75% by 2028, compared to a 2019 baseline year. With our updated science-based target on scope 1 and 2, we aim to achieve a 90% emissions reduction by 2035 from a 2024 base year.

Danfoss scope 1, 2, and 3 emissions 2025

Scope 1

0.1%

Combustion of fuels
48 $ktCO_2e$

Company cars
10 $ktCO_2e$

Leakage of cooling agents in factories
60 $ktCO_2e$

Scope 2

0.1%

Purchased electricity
106 $ktCO_2e$

Purchased heating
6 $ktCO_2e$

Scope 3

99.8%

Purchased goods
2,648 $ktCO_2e$

Upstream transport
304 $ktCO_2e$

Commuting
34 $ktCO_2e$

Capital goods
403 $ktCO_2e$

Waste
0 $ktCO_2e$

Upstream leased assets
17 $ktCO_2e$

Use of sold products
106,321 $ktCO_2e$

Transmission of electricity
87 $ktCO_2e$

Business travel
21 $ktCO_2e$

Downstream transport
29 $ktCO_2e$

End-of-life treatment of sold products
130 $ktCO_2e$

Downstream leased assets
4 $ktCO_2e$

Energy and GHG emissions disclosures

	2024	**2025**
Energy consumption and mix		
Fuel consumption from coal and coal products (MWh)	-	-
Fuel consumption from crude oil and petroleum products (MWh)	52,789	41,872
Fuel consumption from natural gas (MWh)	256,853	263,400
Fuel consumption from other fossil sources (MWh)	-	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	368,014	195,319
Total fossil energy consumption (MWh)	**677,656**	**500,591**
Share of fossil sources in total energy consumption (%)	**65%**	**49%**
Consumption from nuclear sources (MWh)	69,545	37,598
Share of consumption from nuclear sources in total energy consumption (%)	**7%**	**4%**
Fuel consumption for renewable sources including biomass (MWh)	-	-
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	286,434	469,228
The consumption of self-generated non-fuel renewable energy (MWh)	5,478	10,720
Total renewable energy consumption (MWh)	**291,912**	**479,948**
Share of renewable sources in total energy consumption (%)	**28%**	**47%**
Total energy consumption (MWh)	**1,039,113**	**1,018,137**

	Base year 2019[1]	2024	**2025**	Development
Scope 1 GHG emissions				
Scope 1 GHG emissions (tCO_2e)	161,122	131,760	118,149	-10%
Percentage of scope 1 GHG emissions from regulated emission trading schemes (%)	-	< 0.1%	< 0.1%	
Scope 2 GHG emissions				
Gross location-based scope 2 GHG emissions (tCO_2e)	314,137	253,071	250,950	-1%
Gross market-based scope 2 GHG emissions (tCO_2e)	-	213,702	112,635	-47%

[1] Base year recalculated to include the acquisitions of Eaton Hydraulics (2021) and SEMIKRON (2022).

	Base Year 2024	**2025**	Development
Significant scope 3 GHG emissions			
Total gross indirect (scope 3) GHG emissions (tCO_2e)	**112,205,302**	**109,999,247**	**-2%**
1 Purchased goods and services	2,718,402	2,648,379	-3%
2 Capital goods	357,096	403,048	13%
3 Fuel- and energy-related activities	89,807	87,048	-3%
4 Upstream transportation and distribution	258,070	304,403	18%
5 Waste generated in operations	534	340	-36%
6 Business travel	24,472	20,913	-15%
7 Employee commuting	33,866	34,295	1%
8 Upstream leased assets	11,367	16,730	47%
9 Downstream transportation and distribution	16,757	28,930	73%
10 Processing of sold products	-	-	-
11 Use of sold products	108,603,889	106,321,049	-2%
12 End-of-life treatment of sold products	87,808	130,440	49%
13 Downstream leased assets	3,234	3,673	14%
14 Franchises	-	-	-
15 Investments	-	-	-

	2024	**2025**
Total GHG emission intensity (location-based, tCO_2e per EURm net sales)	11,857.2	11,704.2
Total GHG emission intensity (market-based, tCO_2e per EURm net sales)	11,853.0	11,689.5

Enabling the transition

Danfoss Germany proudly received the German Sustainability Award in the HVAC category for the first time ever in 2025. This prestigious honor recognizes Danfoss' commitment to driving transformation in climate solutions and marks a major milestone for our sustainability journey.

Contents

Strategy, governance, and financing

To ensure a successful transition, we have integrated sustainability in our core decision-making processes and governance.

Sustainability strategy and oversight

Sustainability governance is an integrated part of Danfoss Group governance, which enables us to drive our sustainability transformation and ensure that we deliver on our ambitions.

The Danfoss Board of Directors has the overall responsibility for sustainability. The Group Executive Team is accountable for sustainability prioritization, including providing strategic guidance and setting our ambitions and targets based on recommendations from the Sustainability Leadership Team.

While the Danfoss Board of Directors approves the sustainability strategy, the Group Executive Team follows up regularly on progress, strategy, and targets throughout the year. Sustainability performance is part of the reporting to the Board.

The Sustainability Leadership Team and Chief Sustainability Officer oversee the implementation of our ambitions and align cross-functional targets, processes, and communication across our three business segments. The Sustainability Leadership Team is also responsible for the preparation of the Danfoss sustainability strategy and target setting, and follows up on progress.

Danfoss business segments are responsible for strategy execution and reporting of sustainability performance within business areas. Responsible for driving implementation of sustainability initiatives and projects are the cross-functional working groups that are set up to support the overall Danfoss strategy aligned with priorities from the Sustainability Leadership team.

Sustainability governance

Financing the transition

To reach our climate targets, we are investing in the decarbonization of our own operations, as well as in building a portfolio of sustainable products and solutions.

Taxonomy aligned CapEx and OpEx

As a reference and demonstration of our efforts, in 2025 we identified 47% of our turnover, 51% of OpEx, and 53% of CapEx as taxonomy-eligible, with 5% of CapEx being taxonomy-aligned.

Sustainability-linked financing

In 2023, Danfoss issued a sustainability-linked bond. It is a 6.5-year, EUR 500m, senior unsecured, sustainability-linked bond under the company's Euro Medium Term Note (EMTN) program, with a maturity date of December 2029. The sustainability-linked bond is tied to Danfoss achieving our target to reduce our absolute scope 1 and 2 emissions by 75% by 2028, compared to the 2019 baseline year.

Incentives and sustainability performance

Compensation to senior management includes a long-term incentive (LTI) program designed to drive value creation. The Danfoss LTI program is offered to most of our senior management members and provides the opportunity for an additional variable bonus of 20–50% of the fixed salary. It incorporates sustainability-related metrics — such as emissions reduction targets — to ensure that leadership accountability is directly linked to our climate ambitions.

Sustainability-linked bond progress

Achieve carbon-neutral operations (scope 1 and 2) by 2030	**2019 baseline[1]**	**2019 recalculated[1,2]**	**2025 actual**
Absolute scope 1 and 2 greenhouse gas (GHG) emissions	419,116 metric tons CO_2e	475,259 metric tons CO_2e	230,784 metric tons CO_2e equal to 51% reduction

[1] Original baseline 2019 and recalculated baseline 2019 have been reviewed by PwC with limited assurance. Limited assurance reports can be found on danfoss.com.

[2] Baseline 2019 has been recalculated to include the acquisition of SEMIKRON, adding eight factory locations totaling 148,000 m^2, and 19 other light industrial and office locations totaling 4,300 m^2.

Climate risk management

Climate-related impacts, risks, and opportunities

Our climate strategy builds on insights from our climate-related risks and opportunities assessment conducted in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

This assessment leverages expertise from internal and external climate risk experts assessing different climate scenarios defined by the International Panel on Climate Change (IPCC).

In our assessments, we apply a combination of external tools and climate scenarios from the WWF Water Risk Filter, WRI Aqueduct, the IPCC's Representative Concentration Pathways (RCPs), and climate scenarios from the International Energy Agency (IEA). Insights were also drawn from other internal analyses and risk assessments, such as our double materiality assessment and business continuity planning.

Physical climate-related financial risks

We are integrating climate risks into our risk management processes. Examples include the integration of the risk of flooding into all site-level business continuity planning and our flood mitigation efforts at exposed sites, including flood emergency planning, drainage systems, and rainwater collection basins. Addressing water scarcity, in addition to a target to reduce water intensity by 3% as measured in cubic meters of water withdrawal per 1,000 working hours, we have implemented water withdrawal reduction plans at specific sites located in water-stressed locations.

Transitional climate-related financial risks

Our efforts to mitigate transitional climate-related financial risks are centered around our SBTi-validated targets, our First Movers Coalition commitment, and our supplier engagement program, the Green Ask.

Dependencies

Reaching climate targets requires more than internal ambition. It depends on a range of external factors — from policy and technology to supply chain collaboration and access to clean energy.

Examples of our key dependencies identified include:

- Reliance on clear, ambitious, and stable policy and regulatory frameworks.
- Shared commitments with business partners to decarbonize our value chain.
- Access to clean, reliable, and affordable energy.
- Reliance on continued development and scaling of low-carbon technologies to meet our targets.
- Availability of accurate data across the value chain.

		Climate-related risk / opportunity	Risk / opportunity type	Potential financial impact	Value chain impact
Opportunities	O1	Development of low emissions products	Transition	Increased revenues from increased demand for products and services	Downstream
	O2	Use of more efficient production processes	Transition	Reduced indirect (operating) costs	Own operations
	O3	Expansion to new markets	Transition	Increased revenues through access to new and emerging markets	Downstream
Risks	R1	Flooding	Physical (acute)	Decreased revenues due to reduced production capacity	Own operations
	R2	Water scarcity	Physical (chronic)	Decreased revenues due to reduced production capacity	Own operations
	R3	Carbon pricing	Transition	Increased compliance costs	Own operations
	R4	Increased cost of recycled content in raw materials	Transition	Increased production costs	Upstream
	R5	Regulations on existing products	Transition	Increased compliance costs	Downstream

Stakeholder engagement and policy advocacy

We drive responsible engagement and support ambitious climate policies.

Stakeholder engagement

Our stakeholder engagement is based on the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights. To promote knowledge exchange, we have been an active member of the UN Global Compact since 2002.

As a global business, we engage with various stakeholder groups across our value chain, including our customers, suppliers, employees, regulators, and local communities.

Our methods of engagement depend on the stakeholders involved and the objective of the engagement. Our engagement approach enables us to better understand the interests and views of our stakeholders, which in turn informs our business strategy, planning, and decision-making processes, also related to our decarbonization journey.

Policy advocacy

In line with our strategic priorities, we support public policies that enable and encourage the adoption of sustainable solutions.

To this end, we are actively engaged in relevant industry associations and other forums, where we provide formal comments and technical input during policy development to support climate action in alignment with the goals of the 2015 Paris Agreement.

Our public efforts are coordinated at both Group level and across our three business segments. Regular alignment meetings ensure a unified approach to emerging issues, policy developments, and company positions. Based on these meetings, we prioritize and assess relevant policies — aligning them with the positions of allied organizations, from NGOs to industry trade groups — both globally and regionally. Danfoss is registered with the European Commission and European Parliament's Transparency Register (REG 024782946888-95) and conducts an annual review of this to ensure it adheres to the applicable code of conduct.

Case story

Shaping policy and perspectives — tapping into water and energy

Launched in 2025 and presented at several events and summits around the world, the Danfoss Impact Paper, titled *The potential of the water-energy nexus,* calls for a shift in perspective from policymakers to see the water and energy systems as interdependent. The paper showcases examples of how solutions can save both these critical resources. Above all, the paper calls for a shift in perspective: to see water and energy as interconnected systems, driving where efficiency in one drives efficiency and resilience in the other.

By cutting waste, boosting efficiency, going digital, and making water count, we can scale existing solutions to secure human well-being, enhance climate resilience, and strengthen industrial competitiveness.

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