

Welcome to your CDP Climate Change Questionnaire 2021

C0. Introduction

C0.1

(C0.1) Give a general description 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 28.000 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.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

| | Start date | End date | Indicate if you are providing emissions data for past reporting years | Select the number of past reporting years you will be providing emissions data for |
|----------------|-----------------|-------------------|---|--|
| Reporting year | January 1, 2020 | December 31, 2020 | Yes | 1 year |

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

- Brazil
- Bulgaria
- China
- Denmark
- Finland
- France
- Germany
- India

- Italy
- Japan
- Mexico
- Netherlands
- Poland
- Romania
- Russian Federation
- Slovakia
- Slovenia
- Turkey
- United States of America

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

EUR

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

| Position of individual(s) | Please explain |
|-------------------------------|---|
| Chief Executive Officer (CEO) | The Chief Executive Officer (together with the Group Executive Team, including the Heads of the Segments, the CFO, CEO and president of Developing Regions) develops the strategy and handles the day-to-day management of the company and execution of the strategy. They have oversight over all business activities, including the climate targets, KPIs and risks related to climate change. The Group Executive Team (GET) has approved the decarbonization project plan and its |

| | |
|-----------------------|--|
| | governance structure. In 2020, GET has also approved the Power Purchase Agreement (PPA) which ensures that the electricity used in all Danfoss locations in Denmark and Germany is renewable. |
| Board-level committee | <p>The Board of Directors lays the general course for the company by approving strategies and targets, including the approach to climate, both when it comes to products and the business.</p> <p>Climate related topics are being raised to the Board of Directors for management review, feedback and/or approval as decided by the Group Executive Team. One climate-related decision approved by the Board of Directors in 2020 was the PPA for all Danfoss locations in Denmark and Germany, which ensures green electricity.</p> |

C1.1b

(C1.1b) Provide further details on the board’s oversight of climate-related issues.

| Frequency with which climate-related issues are a scheduled agenda item | Governance mechanisms into which climate-related issues are integrated | Please explain |
|---|--|---|
| Sporadic - as important matters arise | <ul style="list-style-type: none"> Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding business plans Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues | The board receives information from the CEO and other senior executives in the strategic direction of climate-related issues, e.g. the ambition to strive for carbon neutrality by 2030. The board then at the formal meetings or between meetings reviews the information and provides feedback and/or approval. |

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

| Name of the position(s) and/or committee(s) | Responsibility | Frequency of reporting to the board on climate-related issues |
|---|---|---|
| Chief Executive Officer (CEO) | Assessing climate-related risks and opportunities | As important matters arise |
| Environment/ Sustainability manager | Both assessing and managing climate-related risks and opportunities | Annually |
| Public affairs manager | Assessing climate-related risks and opportunities | As important matters arise |
| Facility manager | Managing climate-related risks and opportunities | As important matters arise |
| Other C-Suite Officer, please specify Chief Communications Officer (CCO) | Both assessing and managing climate-related risks and opportunities | As important matters arise |
| Other committee, please specify Group Executive Team | Assessing climate-related risks and opportunities | As important matters arise |

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

Danfoss has a two-tier management system consisting of its Board of Directors and the Group Executive Team. The Board of Directors lays 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 Group Executive Team is responsible for climate change and consists of the following members:

- President and CEO of Danfoss A/S
- Executive Vice President and CFO of Danfoss A/S
- Segment President, Danfoss Climate Solutions
- Segment President, Danfoss Power Solutions
- Segment President, Danfoss Drives
- President, Developing Regions

The climate-related issues are monitored and prioritized by various organizational levels:

- Global Real Estate: Responsible for facility and energy 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 Public Affairs & Sustainability: Responsible for overall risk assessment, climate strategy and targets, data collection and reporting.
- Segment management: Responsible for own operations including optimization of processes.
- Group Risk Management: Handles group related risk assessments and monitoring.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

| | Provide incentives for the management of climate-related issues | Comment |
|-------|---|---------|
| Row 1 | Yes | |

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

| Entitled to incentive | Type of incentive | Activity incentivized | Comment |
|------------------------------------|-------------------|--|--|
| Environment/Sustainability manager | Monetary reward | Emissions reduction project Energy reduction project Efficiency target | Part of individual annual "Short term incentive" model for mid and senior management levels. |
| Public affairs manager | Monetary reward | Emissions reduction project Energy reduction project | Part of individual annual "Short term incentive" model for mid and senior management levels. |
| Other C-Suite Officer | Monetary reward | Emissions reduction project Energy reduction project Efficiency target | Part of individual annual "Short term incentive" model for mid and senior management levels. |

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

| | From (years) | To (years) | Comment |
|-------------|--------------|------------|---------|
| Short-term | 0 | 3 | |
| Medium-term | 3 | 6 | |
| Long-term | 6 | 10 | |

C2.1b

(C2.1b) 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.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations

Upstream

Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term

Medium-term

Description of process

Risk Identification:

The identification of risks is the initial risk management step. When identifying risks the following two questions should be asked:

- What risks do we see in our own organizational unit?
- What risks do we see from our organizational unit's point of view for Danfoss as a group?

Approved risk identification tools are:

a) Bow-Tie Analysis

The Bow-Tie Analysis is a tool to analyze the risk and thus may support the risk identification. In a first step causes and consequences of the risk are identified. This could be of value when preparing for the Impact assessment (see Risk Assessment). Secondly, current risk treatment is investigated. Risk treatment to address causes is preventive, whereas treatment to address consequences is corrective. Risk treatment also helps to recognize if a risk is about to materialize or has already materialized. The identification of current risk treatment is a valuable preparation for the likelihood assessment (see Risk Assessment).

b) Brainstorming

In connection to risk identification, brainstorming is a group creativity technique by which efforts are made to find or identify risks spontaneously. To get a full list of risks, unusual input is welcome and criticism of input generated should be put 'on hold'. Looking from new perspectives and suspending assumptions trigger new ways of thinking and may detect hidden risks.

c) Danfoss Risk Universe

Danfoss classifies risks into risk categories. Each category is assigned to a risk acceptance level, which is confirmed by the Danfoss Risk & Compliance Committee. The generic Risk Universe deals with best practice examples of risks and should provide inspiration, support and orientation during the risk classification. The Danfoss Risk Universe is a compilation of risks identified in Danfoss and serves for inspirational purposes only.

d) Vertical information sharing

To ensure a dynamic risk management, communication and exchange of risk information across organizational levels and units is elementary. Apart from risks identified in the own organization unit it is crucial to be aware of risks identified on lower/higher organizational levels, due to the escalation of risks and control over their treatment on different organizational levels.

e) Horizontal information sharing

A risk identified in a certain organization unit could be of relevance for other organization units as well. The communication of already identified risks could inspire other organization units and support in the risk identification, reducing the peril of overlooking a risk.

After a risk has been defined, Risk Stakeholders, who determine the Risk Owner, need to be identified. Based on the Danfoss Risk Universe the Stakeholders assign the risk to a risk identifier. All identified risks have to be documented in the Risk Repository and maintained regularly by employees with a risk management responsibility.

Opportunities

Risk-based thinking is essential when defining opportunities and plans. Therefore, risks connected to opportunities should be identified, assessed, treated and monitored. All

risks which are connected to opportunities must be marked in the Risk Repository.

Risk assessment:

In Danfoss all identified risks need to be assessed. To determine the current level of a risk, impact and likelihood is assessed according to the Danfoss Risk Assessment Guideline. The assessment should reflect the outcome of discussions between the risk experts considering respective background information and knowledge about the risk. The total impact of risks in Danfoss is composed of the impact in 7 categories, assuming a realistic worst-case scenario:

- Financial Impact contributing 25% to the total impact.
- Impact on Brand contributing 10% to the total impact.
- Impact on Health & Safety contributing 20% to the total impact.
- Environmental Impact contributing 5% to the total impact.
- Risk Velocity: The time until Danfoss perceives the effect after a risk has occurred, contributing 15% to the total impact.
- Personal Liability: The effect a certain risk could have on employees in terms of fines or prosecution, contributing 5% to the total impact.
- Impact on Customer Loyalty contributing 20% to the total impact.

Each impact criteria is scored and a weighted average is calculated to achieve the total impact score. If one of the risk criteria is not applicable or has no impact on a risk, an impact score of zero must be selected. As a consequence non-applicable risk criteria will be excluded from the impact calculation and applicable criteria are considered with a respective higher weight.

The total likelihood of risks in Danfoss is composed of:

- Ownership and responsibilities: Score considering the identification, communication of ownership and responsibilities including respective commitments, contributing 20% to the total likelihood.
- Capability and skill of people/organization: Score considering the capability, skills and the degree of organizational culture and structure in place supporting a robust risk management, contributing 20% to the total likelihood.
- Current treatment activities: Score based on the level of current treatment activities or the degree of their effectiveness, contributing 40% of the total likelihood.
- External influence: Score based on the extent Danfoss can influence the occurrence of a risk, contributing 20% to the total likelihood.

For the total impact and the total likelihood the following scale applies:

very low: Impact/Likelihood score <1,5

low: Impact/Likelihood score ≥1,5

high: Impact/Likelihood score ≥2,5

very high: Impact/Likelihood score ≥3,5

Based on the total risk impact and likelihood the current risk level can be determined using the impact/likelihood matrix.

Risk treatment:

Before determining the risk treatment for a specific risk, a comparison between the Current Risk Level and the Risk Acceptance Level is required. For each risk one of the

following risk treatment strategies needs to be applied:

- **Accept:** To accept the risk is the recommended risk strategy if the comparison between current risk level and risk acceptance level reveals no gap. This means that no further risk treatment actions need to be defined, however, the existing actions need to be further performed (as they have been considered in the assessment of the current risk level) and their effectiveness monitored.
- **Avoid:** If the current risk level exceeds the risk acceptance level, the risk should be avoided, meaning that the risk will no longer be taken and related business areas and opportunities should no longer be pursued.
- **Mitigate:** If the Current Risk Level exceeds the Risk Acceptance Level, the risk should be mitigated by lowering the Current Risk Level, and thus, close the gap to the Risk Acceptance Level.
- **Transfer:** To transfer the risk to a third party or to a higher management level is the third option if the Current Risk Level exceeds the Risk Acceptance Level.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

| | Relevance & inclusion | Please explain |
|---------------------|------------------------------|--|
| Current regulation | Relevant, always included | Assessment of current regulation is performed as a part of the environmental management systems in each factory or business unit covered by the ISO 14001 certified management systems. The assessment is a part of the emergency preparedness processes or development/maintenance of the local business continuity plans. On group level, the assessment of regulation having an impact on a broad part of the organization is done as part of the regular corporate risk assessment. |
| Emerging regulation | Relevant, sometimes included | Assessment of emerging regulation is performed as a part of the environmental management systems in each factory or business unit covered by the ISO 14001 certified management systems. The assessment is a part of the emergency preparedness processes or development/maintenance of the local business continuity plans. On group level, the assessment of regulation having an impact on a broad part of the organization is done as part of the regular corporate risk assessment. |
| Technology | Relevant, always included | Change in product technology and customer requirements. |
| Legal | Relevant, always included | EU Legislation making the premium gas filled thermostatic radiator valves(TRVs) obsolete. Danfoss has initiated a New Product Development-project to develop gas-filled TRV's in Danfoss that meet the EN215 requirements better. |

| | | |
|------------------|---------------------------|---|
| Market | Relevant, always included | <p>Market requirements, i.e. customer's requirement for climate-related product performance or climate-related disclosure is assessed as part of the product development process in the business units responsible for maintaining the products' performance.</p> <p>We monitor regulation and development in the political landscape through interaction with politicians, decision makers and customers to ensure that we can react in time to changes in the regulations. The Public and Industry Affairs community in Danfoss monitors the development together with the market intelligence functions in the business units. This intelligence work provide management with the decision base to plan for new market penetrations, new product launches or increased appearance at fairs, tradeshowes or the like. It also provides the basis for deciding how to approach customers and decision makers to best use our products to increase their energy efficiency and improve their resilience against increasing taxes.</p> |
| Reputation | Relevant, always included | <p>Danfoss reputational risk is assessed by Danfoss Group Communications & Reputation on ad-hoc basis. Typically based on requests from the organization when they are dealing with climate-related projects and communication. An example is the reputational risk to the company if it is decided to use carbon offsetting as a mean to decarbonize the company.</p> |
| Acute physical | Relevant, always included | <p>The assessment is a part of the emergency preparedness processes or development/maintenance of the local business continuity plans. On group level, the assessment of regulation having an impact on a broad part of the organization is done as part of the regular corporate risk assessment.</p> |
| Chronic physical | Relevant, always included | <p>The assessment is a part of the emergency preparedness processes or development/maintenance of the local business continuity plans. On group level, the assessment of regulation having an impact on a broad part of the organization is done as part of the regular corporate risk assessment.</p> |

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Market

Changing customer behavior

Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Company-specific description

If customers or communities get access to very cheap energy (e.g. electricity from new energy sources) and therefore no longer demand energy efficiency or energy productivity solutions or products, the business model of Danfoss is threatened if the company cannot adapt or change fast enough.

Time horizon

Medium-term

Likelihood

Unlikely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

35,000,000

Potential financial impact figure – maximum (currency)

180,000,000

Explanation of financial impact figure

Major loss of revenue. Estimated bottom-line effect.

Cost of response to risk

0

Description of response and explanation of cost calculation

The risk management program and internal and external intelligence measures provide for timely information about market trends and changes in regulations affecting the product portfolio.

Comment

Not estimated.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

EU directives regarding energy using products and energy efficiency (e.g. "EN 50598-3 Ecodesign for power drive systems, motor starters, power electronics & their driven applications - Part 3: Quantitative eco design approach through life cycle assessment including product category rules and the content of environmental declarations") could increase costumers focus on energy saving products and more energy efficient solutions and thereby increase the demand for Danfoss' products and solutions and create new or expanding markets.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

35,000,000

Potential financial impact figure – maximum (currency)

180,000,000

Explanation of financial impact figure

Danfoss follows its assessment guideline as defined in the Danfoss risk management process. Based on stakeholders input the impact is estimated in the described range.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

Group Regulatory Affairs monitor together with the market intelligence and approvals functions in the business units. regulation and standards to ensure that we can react in time to changes in the regulations. Group Risk Management has implemented tools and methods to determine the risk for violation of product regulation to ensure compliance in due time. This intelligence work provide management with the decision base to plan for implementation of new regulation. The implementation of the regulation is the responsibility of the R&D functions in the business units together with Group Regulatory and Group Approvals.

Comment

Not disclosed

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of new products or services through R&D and innovation

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Future carbon taxes could increase costumers' focus on energy saving products and more energy efficient solutions to reduce their carbon emissions That could lead to increased demand for Danfoss' products and solutions and create new or expanding markets.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

35,000,000

Potential financial impact figure – maximum (currency)

180,000,000

Explanation of financial impact figure

Not disclosed

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

We monitor regulation and development in the political landscape through interaction with politicians, decision makers and customers to ensure that we can react in time to changes in the regulations. The Public and Industry Affairs community in Danfoss monitors the development together with the market intelligence functions in the business units. This intelligence work provide management with the decision base to plan for new market penetrations, new product launches or increased appearance at fairs, tradeshows or the like. It also provides the basis for deciding how to approach customers and decision makers to best use our products to increase their energy efficiency and improve their resilience against increasing taxes.

Comment

Not disclosed

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes

C3.1b

(C3.1b) Does your organization intend to publish a low-carbon transition plan in the next two years?

| | Intention to publish a low-carbon transition plan | Comment |
|-------|--|---|
| Row 1 | No, we do not intend to publish a low-carbon transition plan in the next two years | As Danfoss has not yet set a net-zero carbon emission target we cannot yet publish a low-carbon transition plan. Once a net-zero target is set a low-carbon transition plan may follow. |

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

No, but we anticipate using qualitative and/or quantitative analysis in the next two years

C3.2b

(C3.2b) Why does your organization not use climate-related scenario analysis to inform its strategy?

Climate-related scenario analysis are not yet used because Danfoss uses alternative methods for developing its sustainability agenda and strategy. Risk management and materiality analysis have supported Danfoss in decision making on climate-related topics so far.

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

| | Have climate-related risks and opportunities influenced your strategy in this area? | Description of influence |
|-----------------------|---|---|
| Products and services | Yes | EU directives regarding energy using products and energy efficiency (e.g. "EN 50598-3 Ecodesign for power drive systems, motor starters, power electronics & their driven applications - Part 3: Quantitative eco design approach through life cycle assessment including product category rules and the content of environmental declarations") could increase costumers focus on energy saving products and more energy efficient solutions and thereby increase the demand for Danfoss' products and solutions and create new or expanding markets. Future carbon taxes could increase costumers' focus on energy saving products and more energy efficient solutions |

| | | |
|---------------------------------|-----|---|
| | | to reduce their carbon emissions. That could lead to increased demand for Danfoss' products and solutions and create new or expanding markets. |
| Supply chain and/or value chain | No | 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. Therefore, these risks and opportunities have not influenced our business strategy to this point. |
| Investment in R&D | No | Danfoss has not identified a connection between climate-related risk mitigation or climate-related opportunity use and the investment in R&D. Therefore the strategy on R&D investment has not been influenced by climate-related risks and opportunities to date. |
| Operations | Yes | A carbon price of e.g. €30 per ton would increase our operational costs to €2.5m in Europe and potentially €7-8m globally. This has led to our Group Executive Teams strategic decision to join RE100 and commit to transition to 100% renewable electricity by 2030. Danfoss has furthermore joined EV100 to commit to transition the company's 2,500 company cars to EVs before 2030. In 2019, only a 1-2% of our electricity used at the production facilities comes from own renewable sources (solar parks). |

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

| | Financial planning elements that have been influenced | Description of influence |
|-------|---|---|
| Row 1 | Revenues Direct costs Capital expenditures | <p>Increased interest by customers in energy efficient products and solutions will lead to increased net sales and thereby a better revenue.</p> <p>As consequence of the company's aim to be carbon neutral in its operations by 2030, a project has been approved by management to start procuring green electricity from existing or new energy sources, e.g. wind or solar. Internal assessments show that the need for carbon neutral electricity can be met though Power Purchase Agreements with energy providers or through carbon offsetting.</p> <p>Our priorities are "Energy efficiency first!" followed by procurement of electricity from new sources to ensure additionality and as a last resort carbon offsetting in those markets where PPAs are not available or where the price for the PPAs are not acceptable at present.</p> <p>The PPAs will be CAPEX neutral to Danfoss as the investments will be</p> |

| | | |
|--|--|--|
| | | <p>made by third party investors.</p> <p>It is expected that the PPAs will not impact our direct energy cost negatively as it is foreseen that the electricity prices will increase by up to 25% from 2021 to 2025 (source: The Danish Energy Agency). Signing fixed price PPAs will mitigate any increasing electricity prices over the strategy period 2020-2030.</p> <p>Decarbonizing our use of fossil fuels for heating and production processes will be the most costly part of our journey towards carbon neutrality as many of our factories use natural gas for heating in own boilers. A study with the assistance of a major Danish engineering consultancy has shown that the cost of converting the local boilers to e.g. heat pumps will require a CAPEX in the range of 100-200 EURm over 10 years.</p> |
|--|--|--|

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Both absolute and intensity targets

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1

Base year

2019

Covered emissions in base year (metric tons CO2e)

39,682

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

71.8

Target year

2030

Targeted reduction from base year (%)

100

Covered emissions in target year (metric tons CO2e) [auto-calculated]

0

Covered emissions in reporting year (metric tons CO2e)

36,545

% of target achieved [auto-calculated]

7.9053475127

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

In 2020, we announced our ambition to be carbon-neutral in all our global operations by 2030. We will reach our goal by continuing to prioritize energy efficiency in buildings and processes, by moving towards electrification to meet our heating demand, and by using electricity from renewable sources to limit our global carbon-emissions footprint. This target refers to the emissions we generate on Danfoss' premises. It includes the Scope 1 emissions (of the Greenhouse Gas Protocol) from the energy used to heat our buildings and emissions generated by the company car fleet. Emissions generated by the filling media used in our operational processes has been excluded from the scope.

Target reference number

Abs 2

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 2 (market-based)

Base year

2019

Covered emissions in base year (metric tons CO₂e)

232,677

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2030

Targeted reduction from base year (%)

100

Covered emissions in target year (metric tons CO₂e) [auto-calculated]

0

Covered emissions in reporting year (metric tons CO₂e)

225,836

% of target achieved [auto-calculated]

2.9401273009

Target status in reporting year

New

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

In 2020, we announced our ambition to be carbon-neutral in all our global operations by 2030. We will reach our goal by continuing to prioritize energy efficiency in buildings and processes, by moving towards electrification to meet our heating demand, and by using electricity from renewable sources to limit our global carbon-emissions footprint. We aim to substitute the natural gas and fossil-based district energy used for heating with renewable energy sources while, at the same time, we will continue to reduce energy demand by ensuring that no heat is wasted but is recovered and reused. This target includes the Scope 2 emissions (of the Greenhouse Gas Protocol) generated from the energy purchased for electricity and heating.

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 2

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Intensity metric

Other, please specify

Metric tons CO₂e per EURm net sales

Base year

2019

Intensity figure in base year (metric tons CO₂e per unit of activity)

39.4

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

93

Target year

2030

Targeted reduction from base year (%)

100

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0

% change anticipated in absolute Scope 1+2 emissions

-100

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

38

% of target achieved [auto-calculated]

3.5532994924

Target status in reporting year

Replaced

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Target ambition

Please explain (including target coverage)

The target has been replaced by the targets Abs1 and Abs2 as part of Danfoss journey towards carbon-neutrality in its own global operations by 2030.

Target reference number

Int 3

Year target was set

2019

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 3: Business travel

Intensity metric

Metric tons CO₂e per passenger kilometer

Base year

2019

Intensity figure in base year (metric tons CO₂e per unit of activity)

0.000179243

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2030

Targeted reduction from base year (%)

100

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0

% change anticipated in absolute Scope 1+2 emissions

0

% change anticipated in absolute Scope 3 emissions

-100

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

0.000179813

% of target achieved [auto-calculated]

-0.3180040504

Target status in reporting year

Underway

Is this a science-based target?

No, and we do not anticipate setting one in the next 2 years

Target ambition

Please explain (including target coverage)

The target is set for business related air-travel only. The intensity figure of the base year was revised in 2021 differentiating between short- and long-haul flights and considering radiative forces.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Target(s) to increase low-carbon energy consumption or production

Other climate-related target(s)

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number

Low 1

Year target was set

2019

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

Base year

2019

Figure or percentage in base year

1

Target year

2030

Figure or percentage in target year

100

Figure or percentage in reporting year

1.49

% of target achieved [auto-calculated]

0.4949494949

Target status in reporting year

New

Is this target part of an emissions target?

Abs2

Is this target part of an overarching initiative?

RE100

Please explain (including target coverage)

In December 2019 Danfoss joined all three business initiatives by The Climate Group, including RE100 to send a strong signal to our business partners that we deliver on our climate ambition. To achieve our overarching goal to become carbon-neutral in our global operations by 2030, we start by purchasing electricity from renewable sources in all our locations. Therefore we strive for half of our electricity to be carbon neutral by the end of 2021 using Power Purchase Agreements (PPAs). The decision for PPAs in Denmark and Germany covering 25% of Danfoss global electricity use were made in

2020. For 2021 we aim for covering USA, Mexico, France and Poland with PPAs as well, reaching 50% of our electricity to be renewable.

Target reference number

Low 2

Year target was set

2019

Target coverage

Site/facility

Target type: absolute or intensity

Absolute

Target type: energy carrier

Other, please specify

Electricity & Heating

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

Base year

2019

Figure or percentage in base year

10

Target year

2022

Figure or percentage in target year

100

Figure or percentage in reporting year

12.5

% of target achieved [auto-calculated]

2.7777777778

Target status in reporting year

New

Is this target part of an emissions target?

Abs1, Abs2

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

The carbon-neutral Headquarter target is a milestone of decarbonizing Danfoss global operations by 2030. Danfoss' campus in Nordborg, Denmark, hosts the company's largest production facility with more than 250,000 m2 under roof and 3,000 employees. The buildings have undergone massive energy efficiency improvements and the use of fossil fuels for heating has been reduced by 80% since 2007. (In 2021, we will reduce the CO2 emissions from the Nordborg campus by 85% from 2020 through green initiatives. We source 100% green electricity for our headquarters from February 2021 and will cover 60% of the heating demand by carbon-neutral district energy.)

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number

Oth 1

Year target was set

2020

Target coverage

Company-wide

Target type: absolute or intensity

Intensity

Target type: category & Metric (target numerator if reporting an intensity target)

Energy productivity
Other, please specify
net sales EURm

Target denominator (intensity targets only)

Other, please specify
GWh

Base year

2007

Figure or percentage in base year

5.5

Target year

2030

Figure or percentage in target year

11

Figure or percentage in reporting year

9.9

% of target achieved [auto-calculated]

80

Target status in reporting year

Underway

Is this target part of an emissions target?

Abs1, Abs2

Is this target part of an overarching initiative?

EP100

Please explain (including target coverage)

In December 2019 Danfoss joined all three business initiatives by The Climate Group to send a strong signal to our business partners that we deliver on our climate ambition. Increasing the energy productivity reduces the amount of energy needed at all - the best energy is the one we don't use, according to our principle energy efficiency first. This target contributes to decarbonizing our global operations by 2030.

Target reference number

Oth 2

Year target was set

2019

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Low-carbon vehicles

Percentage of battery electric vehicles in company fleet

Target denominator (intensity targets only)

Base year

2019

Figure or percentage in base year

2.7

Target year

2030

Figure or percentage in target year

100

Figure or percentage in reporting year

5.8

% of target achieved [auto-calculated]

3.1860226105

Target status in reporting year

Underway

Is this target part of an emissions target?

Abs1

Is this target part of an overarching initiative?

EV100

Please explain (including target coverage)

In December 2019 Danfoss joined all three business initiatives by The Climate Group to send a strong signal to our business partners that we deliver on our climate ambition. Electrifying the car fleet leads the way for decarbonizing our Scope 1 emissions by 2030.

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

| | Number of initiatives | Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *) |
|---------------------|-----------------------|--|
| Under investigation | 5 | |
| To be implemented* | 0 | 0 |

| | | |
|---------------------------|---|--------|
| Implementation commenced* | 3 | 94,000 |
| Implemented* | 3 | 5,000 |
| Not to be implemented | 0 | 0 |

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Low-carbon energy consumption

Other, please specify

Low-carbon energy use for heating & electricity

Estimated annual CO2e savings (metric tonnes CO2e)

16,000

Scope(s)

Scope 1

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

Estimated lifetime of the initiative

1-2 years

Comment

As a milestone to becoming carbon neutral in Danfoss global operations by 2030 the decarbonization of heating and electricity use in the Headquarters is targeted. Danfoss' headquarters will become carbon neutral by purchasing green electricity through PPAs and covering the heating demand by CO2 neutral district energy, by utilizing excess heat from processes and data centers and by installing heat pumps to cover the remaining demand for heating – in other words, by applying our own Danfoss solutions.

Initiative category & Initiative type

Low-carbon energy consumption
Low-carbon electricity mix

Estimated annual CO2e savings (metric tonnes CO2e)

73,000

Scope(s)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

0

Investment required (unit currency – as specified in C0.4)

220,000

Payback period

No payback

Estimated lifetime of the initiative

6-10 years

Comment

As a milestone on the journey to consume 100% electricity from renewable sources, Danfoss strive for covering half of the electricity used by CO2 neutral Power Purchase Agreements (PPAs). The implementation has been commenced in 2020 by starting negotiations on Power Purchase Agreements for Germany and Denmark.

Initiative category & Initiative type

Energy efficiency in buildings
Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)

4,700

Scope(s)

Scope 1
Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

Investment required (unit currency – as specified in C0.4)

Payback period

1-3 years

Estimated lifetime of the initiative

11-15 years

Comment

Optimization of building ventilation and heating systems to allow for better control and lower heat demand. Reconstruction of ventilation systems for recirculation systems using ECL controls, fresh air dampers for summer cooling, recirculation dampers and new filters. The systems are prepared for low temperature operation central heating 35°C from heat pumps.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

| Method | Comment |
|--|--|
| Internal finance mechanisms | All investments in energy saving and efficiency measures must have a simple payback below 3 years. This drives creativity when the organization is required to meet the savings targets. |
| Financial optimization calculations | Optimization of other variable costs (including utilities) through the M4L project (M4L = More for Less) focused on driving the cost down. |
| Dedicated budget for energy efficiency | Danfoss Real Estate function drives internal energy savings and energy efficiency programs to lower utility cost and to ensure compliance with the company's climate strategy. |

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Company-wide

Description of product/Group of products

Compressors, valves, sensors and switches for energy-saving and precise control solutions within commercial refrigeration, industrial refrigeration, air-conditioning, and

supermarket refrigeration. Low voltage AC drives used in pumps, fans, elevators, escalators, conveyors and compressors. Key component for energy production from renewable sources. Power modules and power stacks for the automotive and wind industries. 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. 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. Heat exchangers for use in heat pumps, chillers and closed control systems for cooling and heating in residential and commercial buildings.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify

Own calculation of avoided emissions

% revenue from low carbon product(s) in the reporting year

50

Comment

Danfoss calculate the emission saving potentials for products or product families as part of the development process. The data are used in case stories or in marketing. Programs are being developed to implement mandatory validation of all product related emission and energy efficiency claims.

Level of aggregation

Group of products

Description of product/Group of products

"The Solar Impulse Efficient Solution label seeks to bridge the gap between ecology and economy, bringing together protection of the environment and financial viability to show that these solutions are not expensive fixes to problems, but rather opportunities for clean economic growth."

- 1) Recovering Heat from CO2 refrigeration systems (The Heat Recovery Unit)
- 2) VLT HVAC Drive FC102
- 3) Danfoss Turbocor - oil free magnetic bearing compressor for chillers
- 4) VACON NXP Grid Converter
- 5) VLT Aqua Drive FC 2020
- 6) Eco - Easy-to-use smart radiator thermostat

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify
The Solar Impulse Label

% revenue from low carbon product(s) in the reporting year

0

Comment

More information on Danfoss solution certified with the Solar Impulse Label can be found here (<https://solarimpulse.com/companies/danfoss-a-s#>).

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1, 2007

Base year end

December 31, 2007

Base year emissions (metric tons CO2e)

58,097

Comment

Changed from 41,860 due to recalculation of baseline (including Car Fleet, Filling Media and energy use of additional Real Estate premises). The emissions for Car Fleet, Filling Media and the additional Real Estate energy use are backwards extrapolated by growth from 2019 data.

Scope 2 (location-based)

Base year start

January 1, 2007

Base year end

December 31, 2007

Base year emissions (metric tons CO2e)

143,164

Comment

Changed from 137,357 due to recalculation of baseline (including energy use of additional Real Estate premises). The emissions for the additional Real Estate energy use are backwards extrapolated by growth from 2019 data.

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO₂e)

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO₂e?

Reporting year

Gross global Scope 1 emissions (metric tons CO₂e)

48,009

Start date

January 1, 2020

End date

December 31, 2020

Comment

Past year 1

Gross global Scope 1 emissions (metric tons CO₂e)

55,224

Start date

January 1, 2019

End date

December 31, 2019

Comment

Change in Scope 1 emissions due to change in methodology. The gross global Scope 1 emissions include emissions for heating and other energy consumption on the company's premises as well as the emissions from the company car fleet and filling media leakage when filled into the products.

C6.2**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.****Row 1****Scope 2, location-based**

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment**C6.3****(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO₂e?****Reporting year****Scope 2, location-based**

234,753

Scope 2, market-based (if applicable)

225,836

Start date

January 1, 2020

End date

December 31, 2020

Comment

The Scope 2 market-based emissions are calculated based on the supplier specific emission factors where available. Where not available the composition of energy sources provided by the energy supplier in combination with location-based emission factors was used.

Past year 1

Scope 2, location-based

250,668

Scope 2, market-based (if applicable)

232,677

Start date

January 1, 2019

End date

December 31, 2019

Comment

The Scope 2 market-based emissions are calculated based on the composition of energy sources provided by the energy supplier in combination with location-based emission factors. The supplier specific emission factors are not available for 2019.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization’s gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

1,184,000

Emissions calculation methodology

Based on the master file of materials purchased on Danfoss group level the total weight of different materials is calculated. Summarized by industry codes the emissions are estimated with representative emission factors from the Ecolnvent database.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Danfoss is currently in the process of establishing the Scope 3 emission baseline for the Science Based Targets Initiative, therefore the emissions provided here are preliminary and can be subject to changes in the next reporting year.

Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

The weight of capital goods compared to other purchased goods and services is deemed to small too be significant for Danfoss.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Not relevant, explanation provided

Please explain

Danfoss does not have relevant activities in fuel-and-energy-related activities.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Category was calculated for Danfoss SBTi baseline for 2019. As the share of the total emissions was relatively small it was classified as not relevant and will not be included in Danfoss' SBTi Scope 3 reduction target. Danfoss verifies on an annual basis whether there are reasons to assume a significant change with regard to the relative share of this category. As this verification did not show such changes for 2020 the emissions for this category were not calculated for 2020.

Waste generated in operations

Evaluation status

Not relevant, explanation provided

Please explain

Category was calculated for Danfoss SBTi baseline for 2019. As the share of the total emissions was relatively small it was classified as not relevant and will not be included in Danfoss' SBTi Scope 3 reduction target. Danfoss verifies on an annual basis whether there are reasons to assume a significant change with regard to the relative share of this category. As this verification did not show such changes for 2020 the emissions for this category were not calculated for 2020.

Business travel

Evaluation status

Not relevant, explanation provided

Please explain

Category was calculated for Danfoss SBTi baseline for 2019. As the share of the total emissions was relatively small it was classified as not relevant and will not be included

in Danfoss' SBTi Scope 3 reduction target. Danfoss verifies on an annual basis whether there are reasons to assume a significant change with regard to the relative share of this category. As this verification did not show such changes for 2020 the emissions for this category were not calculated for 2020.

Employee commuting

Evaluation status

Not relevant, explanation provided

Please explain

Category was calculated for Danfoss SBTi baseline for 2019. As the share of the total emissions was relatively small it was classified as not relevant and will not be included in Danfoss' SBTi Scope 3 reduction target. Danfoss verifies on an annual basis whether there are reasons to assume a significant change with regard to the relative share of this category. As this verification did not show such changes for 2020 the emissions for this category were not calculated for 2020.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Danfoss does not have relevant activities with regards to upstream leased assets.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Category was calculated for Danfoss SBTi baseline for 2019. As the share of the total emissions was relatively small it was classified as not relevant and will not be included in Danfoss' SBTi Scope 3 reduction target. Danfoss verifies on an annual basis whether there are reasons to assume a significant change with regard to the relative share of this category. As this verification did not show such changes for 2020 the emissions for this category were not calculated for 2020.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

The weight of the processing of sold goods compared to the use of sold products is deemed too small to be significant for Danfoss.

Use of sold products

Evaluation status

Relevant, calculated

Metric tonnes CO2e

30,951,141

Emissions calculation methodology

Based on the emissions in this category for the Science Based Targets Baseline and the year 2019, the emissions for 2020 were estimated by extrapolating the 2019 number by growth.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Danfoss is currently in the process of establishing the Scope 3 emission baseline for the Science Based Targets Initiative, therefore the emissions provided here are preliminary and can be subject to changes in the next reporting year.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Category was calculated for Danfoss SBTi baseline for 2019. As the share of the total emissions was relatively small it was classified as not relevant and will not be included in Danfoss' SBTi Scope 3 reduction target. Danfoss verifies on an annual basis whether there are reasons to assume a significant change with regard to the relative share of this category. As this verification did not show such changes for 2020 the emissions for this category were not calculated for 2020.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Danfoss does not have relevant activities with regards to downstream leased assets.

Franchises

Evaluation status

Not relevant, explanation provided

Please explain

Danfoss does not have relevant activities with regards to Franchises.

Investments

Evaluation status

Not relevant, explanation provided

Please explain

Danfoss does not have relevant activities with regards to Investments.

Other (upstream)

Evaluation status

Not evaluated

Please explain

Other (downstream)

Evaluation status

Not evaluated

Please explain

C6.7

(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?

No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO₂e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.0000485

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

292,763

Metric denominator

Other, please specify
net sales

Metric denominator: Unit total

5,828,000,000

Scope 2 figure used

Location-based

% change from previous year

0.3

Direction of change

Decreased

Reason for change

The purchased electricity is greener than in the year before with an average CO2 intensity in the purchased electricity of 464 g CO2/kWh in 2020 compared to 472 g CO2/kWh in the previous year.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

No

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

| Country/Region | Scope 1 emissions (metric tons CO2e) |
|--------------------------|--------------------------------------|
| Brazil | 332.78 |
| Bulgaria | 78.21 |
| China | 4,008.89 |
| Denmark | 8,840.31 |
| Finland | 43.78 |
| France | 1,356.85 |
| Germany | 4,140.79 |
| India | 550.7 |
| Italy | 676.67 |
| Japan | 1.82 |
| Mexico | 10,419.75 |
| Poland | 2,947.25 |
| Romania | 128.91 |
| Russian Federation | 2,597.86 |
| Slovakia | 161.27 |
| Slovenia | 145.71 |
| United States of America | 7,955.32 |

| | |
|--|----------|
| Turkey | 427.62 |
| Netherlands | 222.53 |
| Estonia | 214.5 |
| Austria | 197.34 |
| Sweden | 308.88 |
| Other, please specify Rest of World | 2,251.29 |

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By business division

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

| Business division | Scope 1 emissions (metric ton CO ₂ e) |
|---------------------|--|
| Campus locations | 10,150.38 |
| All other locations | 38,155.66 |

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

| Country/Region | Scope 2, location-based (metric tons CO ₂ e) | Scope 2, market-based (metric tons CO ₂ e) | Purchased and consumed electricity, heat, steam or cooling (MWh) | Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh) |
|----------------|---|---|--|--|
| Brazil | 575.19 | 507.99 | 68,967 | 0 |
| Bulgaria | 312.56 | 230.74 | 535.37 | 0 |
| China | 85,076.45 | 111,475.1 | 121,913.7 | 0 |
| Denmark | 20,808.76 | 28,359.53 | 93,410 | 35.4 |
| Finland | 1,538.63 | 902.22 | 12,413 | 0 |
| France | 2,182.72 | 1,170.13 | 13,556.9 | 0 |
| Germany | 11,737.01 | 8,073.9 | 29,020.9 | 0 |
| India | 12,415.98 | 5,894.9 | 12,291 | 1,199 |
| Japan | 2,052.1 | 2,045.07 | 3,715.1 | 0 |
| Italy | 1,559.49 | 1,615.02 | 4,530 | 0 |

| | | | | |
|--|-----------|-----------|----------|---|
| Mexico | 9,314.87 | 10,146.61 | 20,093.1 | 0 |
| Poland | 20,198.9 | 4,359.75 | 26,871.7 | 0 |
| Romania | 592.9 | 255.6 | 990.8 | 0 |
| Russian Federation | 2,392.33 | 2,896.92 | 5,693.2 | 0 |
| Slovakia | 3,621.41 | 954.6 | 19,328.1 | 0 |
| Slovenia | 3,662.81 | 6,049.3 | 12,206.1 | 0 |
| United States of America | 46,230.82 | 34,951.9 | 83,134.1 | 0 |
| Turkey | 117.09 | 97.1 | 197.9 | 0 |
| Netherlands | 59.49 | 241.9 | 562.88 | 0 |
| Other, please specify Rest of World | 10,303.08 | 5,607.44 | 3,057 | 0 |

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By business division

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

| Business division | Scope 2, location-based (metric tons CO2e) | Scope 2, market-based (metric tons CO2e) |
|---------------------|--|--|
| Campus locations | 90,427.3 | 113,810.8 |
| All other locations | 144,275.4 | 111,975.1 |

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

| | Change in emissions (metric tons CO2e) | Direction of change | Emissions value (percentage) | Please explain calculation |
|---|--|---------------------|------------------------------|--|
| Change in renewable energy consumption | 102 | Decreased | 0.04 | Due to a "change in renewable energy consumption" during the reporting year the Scope 1&2 emissions reduced by 102 tons CO2e. Therefore we arrived at -0.04% through $(-102/287305)*100=-0.04\%$ (i.e. A 0.04% decrease in emissions) |
| Other emissions reduction activities | 5,000 | Decreased | 1.74 | Due to "other emissions reduction activities" like installation of energy efficient HVAC systems and reducing the heating temperature the Scope 1&2 emissions were reduced by 5000 tons CO2e. Therefore we arrived at a change of -1.74% through $(5000/287305)*100=-1.74\%$. |
| Divestment | | | | |
| Acquisitions | | | | |
| Mergers | | | | |
| Change in output | | | | |
| Change in methodology | | | | |
| Change in boundary | | | | |
| Change in physical operating conditions | | | | |
| Unidentified | | | | |
| Other | | | | |

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

| | Indicate whether your organization undertook this energy-related activity in the reporting year |
|--|---|
| Consumption of fuel (excluding feedstocks) | Yes |
| Consumption of purchased or acquired electricity | Yes |
| Consumption of purchased or acquired heat | Yes |
| Consumption of purchased or acquired steam | No |
| Consumption of purchased or acquired cooling | No |
| Generation of electricity, heat, steam, or cooling | Yes |

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

| | Heating value | MWh from renewable sources | MWh from non-renewable sources | Total (renewable and non-renewable) MWh |
|--|---------------------------|----------------------------|--------------------------------|---|
| Consumption of fuel (excluding feedstock) | LHV (lower heating value) | 2,495 | 158,444 | 160,938 |
| Consumption of purchased or acquired electricity | | 87,275 | 356,408 | 443,683 |
| Consumption of purchased or acquired heat | | 7,820 | 19,233 | 27,053 |

| | | | | |
|---|--|--------|---------|---------|
| Consumption of self-generated non-fuel renewable energy | | 1,355 | | 1,355 |
| Total energy consumption | | 98,945 | 534,085 | 633,030 |

C8.2b

(C8.2b) Select the applications of your organization’s consumption of fuel.

| | Indicate whether your organization undertakes this fuel application |
|---|---|
| Consumption of fuel for the generation of electricity | No |
| Consumption of fuel for the generation of heat | Yes |
| Consumption of fuel for the generation of steam | No |
| Consumption of fuel for the generation of cooling | No |
| Consumption of fuel for co-generation or tri-generation | Yes |

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)

Natural Gas

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

152,370

MWh fuel consumed for self-generation of heat

130,852

MWh fuel consumed for self-cogeneration or self-trigeneration

21,518

Emission factor

202

Unit

metric tons CO2 per MWh

Emissions factor source

Covenant of Mayors; Joint Research Center of the European Commission

Comment

Natural Gas consumption used for heat generation. CHP in one Danfoss location (self-cogeneration).

Fuels (excluding feedstocks)

Gas Oil

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

6,075

MWh fuel consumed for self-generation of heat

6,075

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

267

Unit

metric tons CO2 per MWh

Emissions factor source

Covenant of Mayors; Joint Research Center of the European Commission

Comment

Gasoil consumption, used for heat generation.

C8.2d

(C8.2d) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

| | Total Gross generation (MWh) | Generation that is consumed by the organization (MWh) | Gross generation from renewable sources (MWh) | Generation from renewable sources that is consumed by the organization (MWh) |
|-------------|------------------------------|---|---|--|
| Electricity | 11,227 | 9,057 | 3,525 | 1,355 |
| Heat | 134,870 | 134,870 | 2,495 | 2,495 |

| | | | | |
|---------|---|---|---|---|
| Steam | 0 | 0 | 0 | 0 |
| Cooling | 0 | 0 | 0 | 0 |

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero emission factor in the market-based Scope 2 figure reported in C6.3.

Sourcing method

Power purchase agreement (PPA) with on-site/off-site generator owned by a third party with no grid transfers (direct line)

Low-carbon technology type

Solar

Country/area of consumption of low-carbon electricity, heat, steam or cooling

India

MWh consumed accounted for at a zero emission factor

1,199

Comment

Solar Park at Danfoss Campus Chennai in India.

Sourcing method

Power purchase agreement (PPA) with on-site/off-site generator owned by a third party with no grid transfers (direct line)

Low-carbon technology type

Solar

Country/area of consumption of low-carbon electricity, heat, steam or cooling

Denmark

MWh consumed accounted for at a zero emission factor

35.4

Comment

Solar Panels installed with direct energy consumption

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

| | Verification/assurance status |
|--|--|
| Scope 1 | No third-party verification or assurance |
| Scope 2 (location-based or market-based) | No third-party verification or assurance |
| Scope 3 | No third-party verification or assurance |

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

Yes

C11.1a

(C11.1a) Select the carbon pricing regulation(s) which impacts your operations.

EU ETS

C11.1b

(C11.1b) Complete the following table for each of the emissions trading schemes you are regulated by.

EU ETS

% of Scope 1 emissions covered by the ETS

14

% of Scope 2 emissions covered by the ETS

0

Period start date

January 1, 2020

Period end date

December 31, 2020

Allowances allocated

6,765

Allowances purchased

0

Verified Scope 1 emissions in metric tons CO₂e

6,765

Verified Scope 2 emissions in metric tons CO₂e

0

Details of ownership

Facilities we own and operate

Comment

Danfoss is only regulated by the EU ETS scheme.

C11.1d

(C11.1d) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?

The respective site in Nordborg handles the compliance to the requirements set by the EU ETS scheme. Our Real Estate operation in Nordborg, Denmark is monitoring the compliance to the requirements on the operational level. Annual third-party verification reviews and confirms compliance with the EU ETS scheme. Case study: Danfoss has since 2007 worked continuously to reduce the amount of energy for heating by 68% to utilize as few of the received allowances as possible. In 2021 the respective site will be implementing Energy Management according to ISO 50001.

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

No

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, but we anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, other partners in the value chain

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

We engage with our logistic partners to understand their emissions and address potential for reducing the emissions from downstream transport.

As part of our target to become CO2 neutral in our own operations we engage with utility providers to decarbonize our electricity by using PPAs. In 2020 the decision was made to start by arranging PPAs for Denmark and Germany, accounting for approximately 25% of the organizations electricity use.

Furthermore, we engage with the providers of lease cars to ensure a larger portfolio of electric vehicles available for our employees, so we can meet our target to electrify the entire company car fleet before 2030. The pilot countries were defined in 2020 and first steps taken to provide infrastructure for the growing amount of EVs in Northern Europe.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers

Trade associations

Funding research organizations

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

| Focus of legislation | Corporate position | Details of engagement | Proposed legislative solution |
|----------------------|--------------------|--|---|
| Energy efficiency | Support | Since energy efficiency of products and systems is one of the core elements of Danfoss' strategy and our businesses, it is imperative that | Danfoss generally advocates a prioritization of energy efficiency efforts, for example national energy efficiency targets, supportive |

| | | | |
|--|--|--|--|
| | | <p>our Public Affairs, approbation and R&D functions participate in workshops, standardizations groups and conferences with the aim of having the greatest possible impact on energy efficiency legislation and product standards.</p> | <p>financing mechanisms and action plans, plans and supportive mechanisms for sector integration, tax incentives for electrification etc. More specifically, Danfoss advocates for building codes in emerging markets and the implementation of existing and more ambitious building codes in established markets. Consequently, optimizing energy efficiency in new buildings, right from the start, is extremely important so that we do not lock ourselves into inefficient technologies for decades. An even bigger potential stems from renovating the existing building stock, which currently accounts for about a third of global energy use and energy-related GHG emissions. For this reason, Danfoss supports the International Energy Agency's recommendation for a global renovation rate of 1-2% of existing buildings per year. In the EU, Danfoss wants to make buildings ready for demand-response in order to provide the needed flexibility for the integration and uptake of renewable energy. We advocate for looking at buildings as part of the bigger energy system; hence taking into account the supply and demand side of energy.</p> |
|--|--|--|--|

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Confederation of Danish Industry

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The Confederation of Danish Industry works for a climate policy that contributes to a balanced green transition, which both supports competitiveness and growth.

How have you influenced, or are you attempting to influence their position?

Our CFO is on the Board of the Confederation of Danish Industry and many employees are active participants in the organizations committees and working groups. Danfoss also has a member of the Confederation of Danish Industry's Environmental Board of Directors, the Energy Board of Directors and several other boards and committees.

C12.3d

(C12.3d) Do you publicly disclose a list of all research organizations that you fund?

No

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

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.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In voluntary sustainability report

Status

Complete

Attach the document

 Danfoss-Sustainability-Report-2020.pdf

Page/Section reference

3-17

Content elements

Strategy
Risks & opportunities
Emissions figures
Emission targets

Comment

Danfoss Sustainability Report summarizes the development towards previously set climate-related targets and new ambitions in the section Climate Action. It showcases examples of action undertaken in the reporting year.

Publication

In other regulatory filings

Status

Complete

Attach the document

 Annual-Report-2020.pdf

Page/Section reference

7, 10-17, 31, 42

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets

Comment

Danfoss Annual Report summarizes the reporting year in review presenting key developments with regards to financial statements and sustainability highlights, as well as governance structure and strategy going forward.

Publication

In voluntary communications

Status

Complete

Attach the document

 IRENA_Coalition_Companies_in_Transition_towards_100_2021.pdf

Page/Section reference

23-27

Content elements

- Strategy
- Risks & opportunities
- Emissions figures
- Emission targets

Comment

IRENA Coalition for Action: Companies in Transition towards 100% Renewables - Focus on Heating & Cooling.

C15. Signoff

C-FI

(C-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.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

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

SC. Supply chain module

SC0.0

(SC0.0) If you would like to do so, please provide a separate introduction to this module.

SC0.1

(SC0.1) What is your company's annual revenue for the stated reporting period?

| | Annual Revenue |
|-------|----------------|
| Row 1 | 5,828,000,000 |

SC0.2

(SC0.2) Do you have an ISIN for your company that you would be willing to share with CDP?

No

SC1.1

(SC1.1) Allocate your emissions to your customers listed below according to the goods or services you have sold them in this reporting period.

Requesting member

Eaton Corporation

Scope of emissions

Scope 1

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

109.9

Uncertainty (±%)

20

Major sources of emissions

Consumption of fuel (natural gas, oil) for heating

Verified

No

Allocation method

Allocation based on the number of units purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are

used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Kesko Corporation

Scope of emissions

Scope 1

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

6.9

Uncertainty (±%)

20

Major sources of emissions

Consumption of fuel (natural gas, oil) for heating

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Robert Bosch GmbH

Scope of emissions

Scope 1

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

0.3

Uncertainty (±%)

20

Major sources of emissions

Consumption of fuel (natural gas, oil) for heating

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Xylem Inc

Scope of emissions

Scope 1

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

90

Uncertainty (±%)

20

Major sources of emissions

Consumption of fuel (natural gas, oil) for heating

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Eaton Corporation

Scope of emissions

Scope 2

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

517

Uncertainty (±%)

20

Major sources of emissions

Consumption of electricity and district energy.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Kesko Corporation

Scope of emissions

Scope 2

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

32

Uncertainty (±%)

20

Major sources of emissions

Consumption of electricity and district energy.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Robert Bosch GmbH

Scope of emissions

Scope 2

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

2

Uncertainty (±%)

20

Major sources of emissions

Consumption of electricity and district energy.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Xylem Inc

Scope of emissions

Scope 2

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

424

Uncertainty (±%)

20

Major sources of emissions

Consumption of electricity and district energy.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Eaton Corporation

Scope of emissions

Scope 3

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

73,591

Uncertainty (±%)

20

Major sources of emissions

Use of sold products: The use of Danfoss products consuming energy at the customer's site make up for >95% of Danfoss Scope 3 emissions. As we are currently in the process of calculating the baseline for setting a Science Based Targets the emissions are preliminary and possibly subject to changes. The second biggest contributor to Danfoss Scope 3 emissions are the Purchased Goods & Services, which make up about 3% of Danfoss Scope 3 emissions.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a

customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Kesko Corporation

Scope of emissions

Scope 3

Allocation level

Company wide

Allocation level detail**Emissions in metric tonnes of CO₂e**

4,611

Uncertainty (±%)

20

Major sources of emissions

Use of sold products: The use of Danfoss products consuming energy at the customer's site make up for >95% of Danfoss Scope 3 emissions. As we are currently in the process of calculating the baseline for setting a Science Based Targets the emissions are preliminary and possibly subject to changes. The second biggest contributor to Danfoss Scope 3 emissions are the Purchased Goods & Services, which make up about 3% of Danfoss Scope 3 emissions.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Robert Bosch GmbH

Scope of emissions

Scope 3

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

229

Uncertainty (±%)

20

Major sources of emissions

Use of sold products: The use of Danfoss products consuming energy at the customer's site make up for >95% of Danfoss Scope 3 emissions. As we are currently in the process of calculating the baseline for setting a Science Based Targets the emissions are preliminary and possibly subject to changes. The second biggest contributor to Danfoss Scope 3 emissions are the Purchased Goods & Services, which make up about 3% of Danfoss Scope 3 emissions.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

Xylem Inc

Scope of emissions

Scope 3

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

60,277

Uncertainty (±%)

20

Major sources of emissions

Use of sold products: The use of Danfoss products consuming energy at the customer's site make up for >95% of Danfoss Scope 3 emissions. As we are currently in the process of calculating the baseline for setting a Science Based Targets the emissions are preliminary and possibly subject to changes. The second biggest contributor to Danfoss Scope 3 emissions are the Purchased Goods & Services, which make up about 3% of Danfoss Scope 3 emissions.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

CNH Industrial NV

Scope of emissions

Scope 1

Allocation level

Company wide

Allocation level detail**Emissions in metric tonnes of CO₂e**

109

Uncertainty (±%)

20

Major sources of emissions

Consumption of fuel (natural gas, oil) for heating

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

CNH Industrial NV

Scope of emissions

Scope 2

Allocation level

Company wide

Allocation level detail

Emissions in metric tonnes of CO₂e

511

Uncertainty (±%)

20

Major sources of emissions

Consumption of electricity and district energy.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are

used for the allocation. Indirect sales through distributors or wholesalers are not included.

Requesting member

CNH Industrial NV

Scope of emissions

Scope 3

Allocation level

Company wide

Allocation level detail**Emissions in metric tonnes of CO₂e**

72,719

Uncertainty (±%)

20

Major sources of emissions

Use of sold products: The use of Danfoss products consuming energy at the customer's site make up for >95% of Danfoss Scope 3 emissions. As we are currently in the process of calculating the baseline for setting a Science Based Targets the emissions are preliminary and possibly subject to changes. The second biggest contributor to Danfoss Scope 3 emissions are the Purchased Goods & Services, which make up about 3% of Danfoss Scope 3 emissions.

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

The sources are all manufacturing facilities in the Danfoss Group (corporate level data) as we cannot establish a unique physical relationship between the products sold to a customer and the factories in which the products were produced. Only direct sales are used for the allocation. Indirect sales through distributors or wholesalers are not included.

SC1.2

(SC1.2) Where published information has been used in completing SC1.1, please provide a reference(s).

SC1.3

(SC1.3) What are the challenges in allocating emissions to different customers, and what would help you to overcome these challenges?

| Allocation challenges | Please explain what would help you overcome these challenges |
|---|---|
| Diversity of product lines makes accurately accounting for each product/product line cost ineffective | Most of the products manufactured within our product lines are varying in size and weight and it is therefore very difficult and time consuming to allocate emissions precisely. |
| Customer base is too large and diverse to accurately track emissions to the customer level | Many products are sold through OEM's and wholesalers. In these cases we do not know the final customer and can therefore not determine the exact value of the products purchased by e.g. Wal-Mart. It will require a complete list of all products sold to a specific customer as well as detailed LCA studies internally at Danfoss. |

SC1.4

(SC1.4) Do you plan to develop your capabilities to allocate emissions to your customers in the future?

Yes

SC1.4a

(SC1.4a) Describe how you plan to develop your capabilities.

We have developed an Environmental Product Declaration and ECO-design method as a measure to estimate/calculate the emissions for a single product or family of products. This method will allow for a detailed calculation of emissions but will be based on generic data. Implementation of methods to enable full material declarations and environmental product declarations on product level is commencing.

Our product lines and factories are very diverse and it will require a tremendous workload to map all internal and external processes to allocate the emissions more precisely to each product.

Allocation of emission to specific customers will therefore continue to be based on the customers' share of the total market value of product, the weight of purchased products or similar allocation methods.

As many products are sold through OEM's and wholesalers we do not know the final customer and can therefore not determine the exact value of the products purchased by each customer.

SC2.1

(SC2.1) Please propose any mutually beneficial climate-related projects you could collaborate on with specific CDP Supply Chain members.

SC2.2

(SC2.2) Have requests or initiatives by CDP Supply Chain members prompted your organization to take organizational-level emissions reduction initiatives?

No

SC4.1

(SC4.1) Are you providing product level data for your organization's goods or services?

No, I am not providing data

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