

W0. Introduction

W0.1

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

With leading expertise in refrigeration and air conditioning, controls for electric motors, heating systems for buildings and cities, and hydraulic solutions to power agricultural and construction machinery, our impact can be felt everywhere.

Quality, innovation and reliability are rooted in our DNA. Our technologies and products can be trusted to push the boundaries for what is possible, deliver exceptional performance and answer the real needs of our customers.

We see opportunities everywhere – from feeding a growing population, to saving energy, to letting everyone enjoy a more comfortable, better quality of life. We aim to rise to ever more complex challenges and, through knowledge and hard work, engineer solutions that achieve more with less.

This is what drives us. To realize more of the potential of this amazing world. And engineer the dreams of tomorrow, today. Our ambition is to realize the vast potential for better infrastructure, improved food supply, higher energy productivity and more climate-friendly solutions. For our customers, we aim to deliver unprecedented quality, reliability and innovation in everything we do.

Danfoss Power Solutions

Danfoss Power Solutions is one of the world's leading players in the mobile hydraulics market. The segment covers three divisions: Hydrostatics, Work Function, Controls, as well as some stand-alone businesses. 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 Cooling

Danfoss Cooling is the player in the air-conditioning and refrigeration industry with the most complete offering. The business segment is an industry frontrunner in energy efficient engineering, and strong application expertise within commercial refrigeration, industrial refrigeration, air-conditioning, and supermarket refrigeration.

With more than 10,000 components, including compressors, valves, sensors and switches, Danfoss Cooling provides its customers with innovative, energy-saving and precise control solutions.

Danfoss Drives

Danfoss Drives is a leading player in the market for low voltage AC drives. 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.

Danfoss Heating

Danfoss Heating is a key player within the heating industry. The business segment is the leader in a number of 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.

Danfoss Heating supplies 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.

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

| | Start date | End date |
|----------------|----------------|------------------|
| Reporting year | January 1 2018 | December 31 2018 |

W0.3

(W0.3) Select the countries/regions for which you will be supplying data.

Brazil
Bulgaria
China
Denmark
Finland
France
Germany
India
Italy
Mexico
Poland
Romania
Russian Federation
Slovakia
Slovenia
United Kingdom of Great Britain and Northern Ireland
United States of America

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

EUR

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups over which operational control is exercised

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

No

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

| | Direct use importance rating | Indirect use importance rating | Please explain |
|--|------------------------------|--------------------------------|---|
| Sufficient amounts of good quality freshwater available for use | Not very important | Not very important | Primary use of fresh water in direct and indirect operations is for process cooling purposes, sanitary use and testing of products. Fresh water is not a key component of operations directly or indirectly but a local issue e.g. drought or poor water quality, or localized flooding may impact on local operations or supply chain. However, this would not affect the business overall. |
| Sufficient amounts of recycled, brackish and/or produced water available for use | Not very important | Not very important | Brackish water is not used in direct operations, but may to a limited extent be used in indirect operations in the upstream supply chain for process cooling purposes and sanitary use. Brackish water is not a key component of operations directly or indirectly but a local issue e.g. drought or poor water quality, or localized flooding may impact on local operations or supply chain. However, this would not affect the business overall. |

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

No, water risks-related are not assessed

W3.3e

(W3.3e) Why does your organization not undertake a water-related risk assessment?

| | Primary reason | Please explain |
|-------|--|----------------|
| Row 1 | We are planning to introduce a risk assessment process within the next two years | |

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

No

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

Substantive financial or strategic impact on our business is defined as lack of ability to deliver products or services.

W4.2b

(W4.2b) Why does your organization not consider itself exposed to water risks in its direct operations with the potential to have a substantive financial or strategic impact?

| | Primary reason | Please explain |
|-------|--|--|
| Row 1 | Risks exist, but no substantive impact anticipated | Water is not a critical component in our product nor is it a business critical element in the production processes. If water supply fails in one location, we are able to uphold production in other locations or deliver products from stock. Any impact is not considered substantial to the business. |

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

| | Primary reason | Please explain |
|-------|------------------------------------|----------------|
| Row 1 | Lack of visibility of supply chain | |

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Efficiency

Primary water-related opportunity

Improved water efficiency in operations

Company-specific description & strategy to realize opportunity

This is replicable to existing facilities throughout Europe. Achieving energy neutrality of the water cycle has a high return on investments: smart processes controls have a payback time of typically less than 2 years (resulting in approximately 70 % of the improvement) and component investment have a bit longer pay-back-time, resulting in a combined payback time of less than 5 years. The EU water policy should support cities in exploring opportunities in the water sector, starting with the DWD.

Estimated timeframe for realization

Current - up to 1 year

Magnitude of potential financial impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact

W6. Governance

W6.1

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

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

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

No

W6.2c

(W6.2c) Why is there no board-level oversight of water-related issues and what are your plans to change this in the future?

| | Primary reason | Board level oversight of water-related issues will be introduced in the next two years | Please explain |
|-------|-------------------------------------|--|----------------|
| Row 1 | Not a prioritized issue at present. | No | |

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

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

Risk committee

Responsibility

Assessing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

As important matters arise

Please explain

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

Facilities manager

Responsibility

Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

As important matters arise

Please explain

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

Safety, Health, Environment and Quality committee

Responsibility

Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

As important matters arise

Please explain

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

Environment/Sustainability manager

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Annually

Please explain

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, direct engagement with policy makers

Yes, trade associations

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

Consistency is ensured through alignment of strategic positions and messages across Danfoss' global Public Affairs community and the Danfoss Group Executive Team which is comprised of the Top 6 managers of Danfoss (2 member of the Executive Committee, and the heads of our four segments).

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

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

No, and we have no plans to do so

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

| | Are water-related issues integrated? | Long-term time horizon (years) | Please explain |
|---|---|--------------------------------|----------------|
| Long-term business objectives | No, water-related issues not yet reviewed, but there are plans to do so in the next two years | <Not Applicable> | |
| Strategy for achieving long-term objectives | No, water-related issues were not reviewed and there are no plans to do so | <Not Applicable> | |
| Financial planning | No, water-related issues were not reviewed and there are no plans to do so | <Not Applicable> | |

W7.2

(W7.2) What is the trend in your organization’s water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

0

Anticipated forward trend for CAPEX (+/- % change)

5

Water-related OPEX (+/- % change)

5

Anticipated forward trend for OPEX (+/- % change)

0

Please explain

W7.3

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

| | Use of climate-related scenario analysis | Comment |
|-------|--|---------|
| Row 1 | No, but we anticipate doing so within the next two years | |

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

Yes

Please explain

The cost of all utilities is a part of the OPEX in alle locations. We do not use an internal price on water higher than the actual cost of water.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

| | Levels for targets and/or goals | Monitoring at corporate level | Approach to setting and monitoring targets and/or goals |
|-------|---|--|---|
| Row 1 | Company-wide targets and goals Site/facility specific targets and/or goals | Targets are monitored at the corporate level | |

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number

Target 1

Category of target

Water consumption

Level

Company-wide

Primary motivation

Reduced environmental impact

Description of target

Reduction of water consumption intensity by 50% before 2030 compared to 2007 level.

Quantitative metric

% reduction per revenue

Baseline year

2007

Start year

2015

Target year

2030

% achieved

64

Please explain

The water consumption per unit revenue has decreased from 280 m3/EURm in 2007 to 191 m3/EURm in 2018 due to savings measures and process optimizations.

W9. Linkages and trade-offs

W9.1

(W9.1) Has your organization identified any linkages or tradeoffs between water and other environmental issues in its direct operations and/or other parts of its value chain?

No

W9.1b

(W9.1b) Why has your organization not identified any linkages or tradeoffs between water and other environmental issues?

| | Primary reason | Please explain |
|-------|--|----------------|
| Row 1 | Not considered, but we have plans to do so in the next 2 years | |

W10. Verification

W10.1

(W10.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1d)?

No, we do not currently verify any other water information reported in our CDP disclosure

W11. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W11.1

(W11.1) Provide details for the person that has signed off (approved) your CDP water response.

| | Job title | Corresponding job category |
|-------|-------------------------------|------------------------------------|
| Row 1 | Group Sustainability Director | Environment/Sustainability manager |

W11.2

(W11.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

Yes

SW. Supply chain module

SW0.1

(SW0.1) What is your organization's annual revenue for the reporting period?

| | Annual revenue |
|-------|----------------|
| Row 1 | 6098000000 |

SW0.2

(SW0.2) Do you have an ISIN for your organization that you are willing to share with CDP?

No

SW1.1

(SW1.1) Have you identified if any of your facilities reported in W5.1 could have an impact on a requesting CDP supply chain member?

No facilities were reported in W5.1

SW1.2

(SW1.2) Are you able to provide geolocation data for your site facilities?

No, this is confidential data

SW2.1

(SW2.1) Please propose any mutually beneficial water-related projects you could collaborate on with specific CDP supply chain members.

SW2.2

(SW2.2) Have any water projects been implemented due to CDP supply chain member engagement?

No

SW3.1

(SW3.1) Provide any available water intensity values for your organization's products or services across its operations.

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

| | Public or Non-Public Submission | I am submitting to | Are you ready to submit the additional Supply Chain Questions? |
|-----------------------------|---------------------------------|--------------------|--|
| I am submitting my response | Public | Customers | <Not Applicable> |

Please confirm below

I have read and accept the applicable Terms