

MAKING MODERN LIVING POSSIBLE



Corporate Citizenship Report 2011



Continued support for Global Compact



Niels B. Christiansen
President & CEO

In 2002, the Danfoss Group joined the UN Global Compact Initiative. Since then, the group has contributed to ensuring that the ten principles are an integrated part of the business strategy. The principles still represent the structure of the Danfoss policies on environmental and social responsibility.

In 2003, Danfoss published its first report on social responsibility and has continuously been working on developing the company's way of surveying and reporting on Corporate Citizenship.

Danfoss' Corporate Citizenship report is also the Communication on Progress report to the UN. The report describes the initiatives Danfoss has taken during the past year and the results of the work with Global Compact.

The Danfoss Group will continue to support the UN's Global Compact Initiative and the ten principles.

Corporate Citizenship

Danfoss wishes to run its business based in an environmental, social and financial sustainable manner and has decided to use "Corporate Citizenship" as a joint notion for the activities relating to social responsibility, the environment and the working environment.

The group has chosen the UN Global Compact as a framework for its work with environmental and social responsibility and is also committed to supporting the initiative "Caring for Climate", which means that Danfoss has set itself a number of specific goals to reduce its global CO₂ emissions. Each year, Danfoss reports to the UN (Communication on Progress) about its work with the ten principles. In 2011, Danfoss chose to integrate the report into the Corporate Citizenship report. This report is also available on unglobalcompact.org. For further details, please refer to the GRI table and the tables with significant data at the back of this report.

Scope and external verification of reporting

Danfoss has decided to have the annual Corporate Citizenship reporting verified by an external and independent third party – DNV (Det Norske Veritas). An important criterion in the verification is that Danfoss works with the most material matters and that this is reflected in the group's reporting.

Therefore, Danfoss has reviewed which issues are important to the group and its stakeholders. This review was based on GRI - the Global Reporting Initiative's guidelines and the international standard ISO 26000. The figure shows the most material subjects.

The reporting includes all companies in the group where Danfoss holds the majority of shares. However, environment and climate data is only collected from factories with more than 20 employees, and sales offices do not contribute environmental data. Information regarding Sauer-Danfoss is not included in the reporting.

Danfoss is represented in a number of countries all over the world. Danfoss has a total of 16,949 employees of which approx. 10,500 are working in Europe, approx. 4,000 in China and approx. 2,000 in the USA (incl. Mexico).

Special information on Sauer-Danfoss

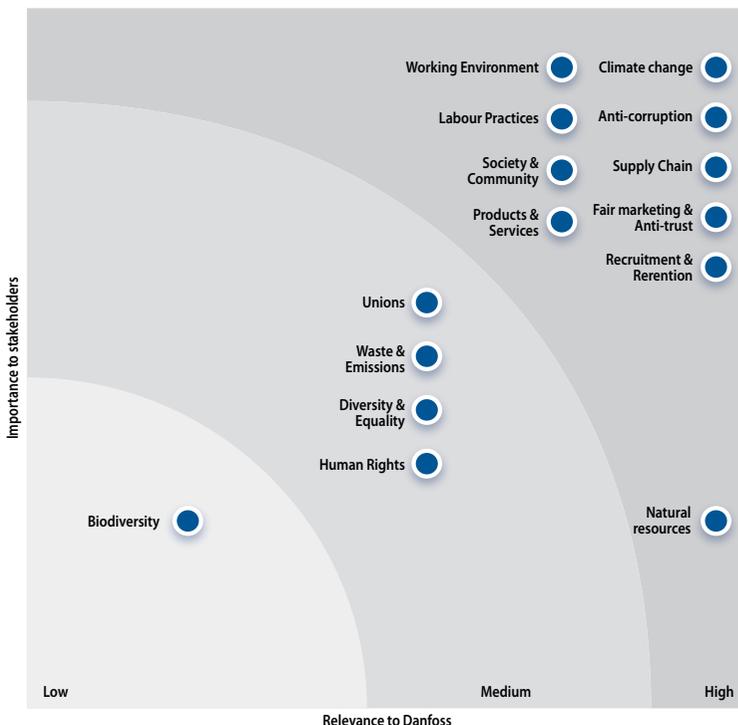
Even though Danfoss holds the majority of shares in Sauer-Danfoss, our environmental and social responsibility policies have not yet been implemented in Sauer-Danfoss. This is due to the fact that Sauer-Danfoss is listed on the New York Stock Exchange (NYSE), where they have special rules governing company activities. The initiatives of Sauer-Danfoss within the area of Corporate Citizenship are laid down in a number of globally applicable policies and guidelines.

Sauer-Danfoss has developed guidelines of legal and ethical behavior called "Worldwide Code of Legal and Ethical Business Conduct". Here, requirements for the managers and employees regarding handling of competition law, conflicts of interest, anti-corruption, customer and supplier relations and employee conditions, such as discrimination and equal treatment, are laid down.

Sauer-Danfoss has also drawn up a code of conduct for suppliers for the purpose of ensuring that all suppliers know and respect the requirements within a number of areas. Child labor, forced labor, working hours and salary conditions are among the topics in the Sauer-Danfoss Code of Conduct. Furthermore, Sauer-Danfoss collects information on the company's environmental impact, which, among other things, is used to assess the factories' compliance with the legislation and requirements in international standards like ISO 14001.

Responsibility for Corporate Citizenship

The Danfoss Executive Committee holds overall responsibility for Corporate Citizenship. The Danfoss Corporate Ethics & Compliance department prepares guidelines and directions for good corporate ethics and monitors and reports





on whether Danfoss' Ethical rules are complied with. The establishment of Corporate Ethics & Compliance forms part of a reinforced effort to comply with legislation and ethics, and Corporate Citizenship & Sustainability, which oversees environmental and social responsibility, is part of this department.

Danfoss has an Ethics Handbook describing which guidelines each individual manager and employee must comply with at any time. Everybody is responsible for complying with the guidelines and for reporting any breaches to the management or the Danfoss Ethics Hotline. Managers hold special responsibility because they have to ensure that all their employees know and understand the ethical guidelines and Danfoss' expectations with regard to correct behavior.

A number of internal policies and tools ensure that the Danfoss rules of social responsibility, ethics and the environment are communicated and implemented. Danfoss' intranet and other internal media play an important role when it comes to communicating, for example, ethical guidelines, just as the Ethics Hotline and data collection through surveys and the Code of Conduct Information System offer valuable information on how the rules are complied with.

Reporting and supervision of Corporate Citizenship

Each year, Danfoss conducts a CSR survey at all its factories and sales companies, covering human rights, labor rights, business ethics and anti-corruption. Danfoss also carries out the annual People Managers Survey among all managers with responsibility for personnel management focusing on business ethics.

Visits are paid to selected Danfoss companies for the purpose of assessing how they handle matters of social responsibility and to establish and maintain a constructive dialogue with the local management on Danfoss' Corporate Citizenship activities.

Danfoss requires that all factories maintain an environmental management system in line with the requirements of the international standard on environmental management, ISO 14001, and that the system must be certified. The parts of the group which are certified in line with environmental and working environment management standards are audited by external companies.

The ongoing reporting of resources, waste and other impacts on the environment and working environment ensures that Danfoss gets an overall global view of its handling of the environmental impact.

All information serves as the basis for the preparation of the environment section in the Corporate Citizenship report, which is verified by DNV (Det Norske Veritas) each year to ensure a true and fair view of the impact Danfoss has on the environment and working environment.

All suppliers must sign the Danfoss Code of Conduct, which comprises rules for social and environmental responsibility. All current suppliers must sign the Code of Conduct upon renewal of their contract or when updating it.

All future suppliers will furthermore be asked to complete a self-assessment form regarding the Danfoss Code of Conduct.

Danfoss conducts environmental assessments of all potential acquisitions. This environmental due diligence ensures that Danfoss receives in-depth information on the environmental situation and potential business risks of new companies.

Reporting on breach of ethical guidelines

Reporting on any breach of the ethical guidelines can be done through the ordinary management and reporting structures or through Danfoss' whistleblower function, the Ethics Hotline, where an external company receives and registers the reports. The purpose of external handling is to ensure the highest possible degree of professionalism when handling the cases. Moreover, it helps to ensure the required level of data security.

When the external company has registered a report, it is presented to the Danfoss Ethics Committee. All requests will be investigated promptly, upon which corrective measures will be initiated. The Ethics Committee may decide to submit the case to the Danfoss Board if considered necessary.

Responsibility and Ethics

Dialogue through social media

In 2011, Danfoss began to integrate social media into the procedure in a more structured way than previously. Today, Danfoss is globally represented on YouTube, Facebook, LinkedIn and Twitter. However, local social media are also used for dialogue with our stakeholders. For instance, in China Danfoss has had great success in using the Chinese social media Weibo and RenRen in a campaign to recruit new employees.

Even though Danfoss is still at an early stage when it comes integrating social media into business, there is increasing potential to enter into a dialogue with stakeholders through these channels.

Please find an overview of Danfoss' official presence in social media on www.danfoss.com/socialmedia.

Social responsibility and ethics

This section covers Danfoss' work with human rights, labor rights, anti-corruption and ethics.

As a result of Danfoss' competition case, among other things, the primary activity in 2011 in the area of CSR has been to prepare and implement an ethics e-learning program which targets all people managers. The competition case is described on page 16 in Danfoss' Annual report 2011. The program is based on Danfoss' Ethics Handbook and concentrates especially on avoiding the violation of legislation on competition matters and anti-corruption. However, subjects such as equal treatment and anti-discrimination are also present in the training. The e-learning is based on a combination of real cases concerning difficult situations which have been solved by managers at Danfoss, fictitious dilemmas and training in identifying "red lights" that indicate unethical behavior. The e-learning ends with a test and the participants must answer a minimum of 80% of questions correctly to pass.

The ethics training is targeted at people managers as they are primarily responsible for spreading knowledge of and enforcing the ethical guidelines among their employees. In 2011, the 700 top managers were called in to receive ethical training, while the remaining approx. 1,500 people managers will complete the training in 2012. Apart from e-learning, Danfoss continued the existing face-to-face training in ethics in 2011, where a total of 201 Chinese managers and HR employees completed this training. Danfoss has

also introduced an ethics module as a permanent part of the induction program for new managers in Denmark. In 2011, approx. 50 new managers were trained in ethics.

Consequences of unethical behavior

In 2011, Danfoss said goodbye to 26 employees as a consequence of unethical behavior, compared to 40 in 2010. The number includes both dismissals and voluntary resignations in connection with cases of ethical matters being raised. The unethical behavior dealt with includes: theft and unethical handling of the group's resources (five cases); manipulation of time or illness reporting and/or non-performance (four cases); misuse of confidential information (two cases); conflicts of interest where, for instance, employees have caused a conflict of interest with the Danfoss Group through their relation to other companies (four cases); substance abuse (one case), bad behavior, for example harassment or violence (seven cases), bribery attempts (one case) and other cases which do not easily fit into a category (two cases). In cases involving the suspicion of bribery, it is often difficult to lift the burden of proof of the alleged bribery. However, in spite of such difficulties, Danfoss finds it extremely important to get to the bottom of these cases.

Many cases of unethical behavior are handled in the line organizations, whereas others are handled through the Ethics Hotline, which is an extra channel for reporting unethical behavior. In 2011, 15 of the 26 cases in which employment was terminated were reported through the Ethics Hotline, while the figure was four out of 40 cases in 2010.

Human and workers' rights at Danfoss

Human rights include a number of fundamental rights, such as the right to food, housing, health, work and decent working conditions. They also include the four labor rights mentioned in the UN Global Compact (the right to avoid forced labor, child labor and discrimination and the right to a free choice of union).

In this Corporate Citizenship Report, we focus on the human rights and labor rights which are particularly relevant for companies.

Employees' right to privacy

Danfoss wants to respect their employees' right to privacy, both because it is



a fundamental human right and also to avoid the risk of discrimination. Health tests are one of the areas in which organizations may risk discrimination, and companies within the group are therefore encouraged to be cautious when using tests in employment situations, unless such tests have to be done according to local legislation.

Danfoss respects local legislation; however, special efforts are made to avoid discrimination. Therefore, the use of health tests and the circumstances surrounding them are supervised.

In 2011, Danfoss' CSR survey showed that a number of companies used different types of health tests, both in connection with existing employees and when hiring new employees. Drugs tests are commonly used in a number of companies in the USA, Mexico and Poland. This is done to ensure a good and safe working environment.

16 companies report that they used X-ray examinations of employees in 2011. This is done in areas where the risk of pulmonary tuberculosis prevails. Danfoss' Chief Physician has assessed that the risk of getting pulmonary tuberculosis justifies the health risks of X-rays. The result of the examination has no consequences for the employment.

In 2011, five companies used X-ray examinations of applicants. This was the case in China, Taiwan and Slovakia, where there is a risk of pulmonary tuberculosis. In China, employees requested the test as they want to protect themselves from the danger of infection. Any infected applicants can be hired after treatment is ended.

Child labor

The subject of child labor involves a number of dilemmas. If there is no access to paid work in industry or agriculture, the alternative can be prostitution, which is far worse.

When juveniles are employed, it is important that the ILO conventions on child labor are adhered to. Therefore, juveniles aged 15-18 must be above the compulsory school age, they cannot carry out dangerous work or work at night, and they must have more breaks than their adult colleagues.

In 2011, Danfoss employed 48 juveniles aged 15-18, typically in connection with an apprenticeship.

Inclusion and diversity

In 2011, 81% of managers in the Danfoss Group were men at a global level, whereas 19% were women. The numbers remain unchanged compared with the previous two years. The Danfoss management consists of 29% of Danish origin, 16% of Chinese origin and 6.5% of American origin.

In Denmark, the distribution of managers is 84% men and 16% women. In all regions, except Latin America, two thirds of all employees are men.

In many different ways, Danfoss makes sure that people with a disability, reduced ability to work or the like, may also work in the organization. The CSR survey showed that 50% of companies have programs or procedures for appointing people with physical or mental disabilities; that 14% of companies provide for employment of former criminals and that one third of the companies make special efforts in connection with socially marginalized groups. Almost half of all companies allow their employees to practise their religion during working hours.

Discrimination

During 2011, Danfoss had five discrimination cases. Three of the cases occurred at a factory in the USA, where complaints were filed in connection with dismissal. Three employees claimed that their severance terms were unfair. The cases were filed to the EEOC (Equal Employment Opportunity Commission). Two of the complaints were rejected as unfounded and the last complaint is still pending.

A dismissed employee from another factory in the USA complained to the Illinois Department of Human Rights/EEOC. The employee claimed to have been discriminated against due to race and religion. Danfoss won the case and has consequently trained all employees at the factory in questions of diversity and the prevention of harassment. The last case was about a lack of adjustment of pay during maternity leave at the factory in Bulgaria.

Forced labor

The use of prison labor can be an aspect of forced labor. The work must be voluntary and under working conditions where conventions on the use of prison labor are complied with.

Two of Danfoss' factories in Denmark and Romania have suppliers that use prison labor. In both situations, UN rules on prison labor are complied with.

Working time conditions

Danfoss binds itself to respect the ILO's core conventions, for example on working time. The ILO convention enjoins that employees cannot work more than 48 hours a week + 12 hours of overtime during a maximum of three weeks.

Working time is a complex topic with a lot of facets, in which the pros and cons need to be weighed up. Some of the important factors in connection with avoiding overtime are to have a regular inflow of orders, good production planning and quality control, so that production is running smoothly without too many extra processes.

Too much overtime is one of the most frequent violations of labor rights, especially on the Chinese labor market. Working time is therefore one of the issues that are addressed in connection with factory visits and when Danfoss arranges external audits at suppliers.

In 2010, Danfoss arranged for external audits at three of the Chinese factories. Here, random samples of employees' working time during the peak season revealed that the maximum allowed working time were exceeded in all three factories. Action plans were drawn up at each factory and activities were initiated across a number of functions to ensure that the problem was addressed at the relevant places in the organization. Now, follow-up procedures have been set up and managers check the overtime levels on a monthly basis.

The Danfoss factories in China are implementing Danfoss' Productivity Program, which will optimize the production processes and improve productivity. This will also, in the long term, reduce the amount of overtime.

In 2011, Danfoss recorded a drop in overtime at the three Chinese factories, which, apart from the activities mentioned, can also be explained by a more normalized order rate than in 2010; a year characterized by huge growth. In 2011, Danfoss only recorded overtime at one of the three factories. The

Engagement in the local community



factory in question has periodically been challenged by lack of raw materials, an issue which also affects other factories in the electronics industry. Also, the factory is located in an area where overtime is in demand.

It is important to Danfoss to have a well-managed HR department, a department which ensures that the number of employees is sufficient to handle the tasks. In several places, however, the challenge lies in recruiting employees if overtime is not an option. Migrant workers in particular wish to work overtime to earn as much as possible so as to be able to return to their native region as soon as possible.

The right to organize

Danfoss respects the right to freely choose a union and to make collective bargaining. In countries where free choice of union is not possible, Danfoss establishes other channels for employees and managers to meet and discuss work-related questions. A total of three companies state that they do not have a free choice of union and have therefore established other forums, where management and employees can meet.

Danfoss has included a number of questions in the CSR survey about the companies' local engagement. For instance, it appears from the answers that a number of companies donate money or labor to local charity projects or sports clubs and that the companies support collections for people in distress. The companies have reported that they donated more than EUR 120,000 for such purposes in 2011.

Commitment and dialogue

Through active dialogue with employees, managers and external stakeholders, Danfoss strives to act appropriately and to adapt the organization's processes and tools within the area of Corporate Citizenship to the requirements of the surrounding world, and to the societal development in the countries and areas where the organization is active.

Dialogue with interest organizations and NGOs is part of this work and helps to ensure that Danfoss is familiar with the framework conditions of business operations in the countries where the organization is active. Knowledge of new legislation, new initiatives from organizations and being challenged on our outlook and policies is a valuable and necessary element of the preparedness which Danfoss constantly maintains in order to meet global challenges. Danfoss was one of the initiators that established the Danish Business Network for Human Rights, which is a network for companies operating internationally and facing many challenges within the area of human rights. Danfoss also played an active role in this network in 2011, and is a member of the network's steering group.

For instance, Danfoss is engaged in the following initiatives:

- Danish Business Network for Human Rights
- Global Compact Nordic Network
- Sustainability network within the Confederation of Danish Industry
- The Confederation of Danish Industry's environmental managers forum and network groups for corporate environmental managers and climate strategy

- The UN Caring for Climate Initiative
- The Danish Council for Sustainable Business Development

Positive footprint in the local community

In several of the local communities where Danfoss is present, the group plays an important and positive role. This is the case in Mexico, for instance, where Danfoss has a factory with 700 employees. Here, Danfoss is a member of "Asociación de Maquiladoras y Manufactureras de Exportación de Nuevo León, A.C.", an organization consisting of 180 import/export businesses. Here, they have decided to make an effort to solve the largest problem in the local community: crime, which affects both families and companies. Together with the TEC University in Monterrey, the organization has worked out an analysis of the causes of crime and identified "lack of values and opportunities" as the most important action area. Like the other member companies, Danfoss has adopted a school in the community and is working with fundamental values, such as the value of children getting an education, the value of having a well-functioning family and a well-run school in the local community. The project also concentrates on showing what future job opportunities companies like Danfoss can offer.

A total of 850 pupils have completed various activities in 2011, where 50 of Danfoss' employees have been actively involved. The two most important activities were the "implementation of values", a cooperation between teachers, pupils and parents, and "involvement in the local community", where parents were the target group.

The purpose of the school adoption program is to help the individual school to begin development so that they will be able to help themselves in the future; the idea being that the school should only be helped for 2-3 years. Subsequently, another school will be adopted.

Donations from Danfoss foundations

The Danfoss Employee Foundation

The Danfoss Employee Foundation is a social foundation which works to provide consultation and financial support to employees in Danfoss A/S, the Bitten and Mads Clausen Foundation, an associated company in Denmark or their Danish subsidiaries. For instance, this means that Sauer-Danfoss ApS and Danfoss Universe A/S are included.

In 2011, the Foundation considered approx. 300 cases. Many of these cases were concerned with poor financial situations caused by dismissal, divorce or stricter loan terms from banks. Moreover, many employees have applied for Christmas help.

In 2011, the Foundation gave financial support amounting to a total of approx. DKK 3.2 million.

The Employee Foundation's legal aid system, which ensures that substantial legal assistance is available for all employees, handled approx. 200 requests.

The Fabrikant Mads Clausen Foundation

The Fabrikant Mads Clausen Foundation was established by the founder of Danfoss in 1960. The purpose of the Foundation is to provide support to

charitable projects in Denmark and abroad. In the beginning, the support was primarily provided in the local community surrounding the factory in Nordborg. However, in line with the expansion and globalization of Danfoss, the support area has increased and today it also includes Danfoss' other locations in Denmark and abroad. The Foundation provides financial support for training, research, sports, art, culture and various charitable organizations. An annual grant goes to the operation and maintenance of the mill in Havnbjerg, near Nordborg. The mill is open to the public and was originally bought and restored by Mads Clausen.

In 2011, the Fabrikant Mads Clausen Foundation distributed a total of DKK 9.4 million to more than 350 recipients. Among them were a large number of organizations and institutions in Danfoss' local community, including schools and universities, sports clubs, scout groups, pensioners' associations, institutions for the disabled and museums, choirs and orchestras.

Support was also given to many national patients' associations and relief organizations.

In the course of the year, several large donations, each amounting to DKK 100,000 or more, were distributed. The money went to breast cancer research, equipment for schools, hospitals and volunteer fire brigades and various cultural projects.

Other large donations were made to humanitarian projects abroad. The Australia Flood Appeal foundation received DKK 200,000 after the massive floods in Queensland at the beginning of the year. Brazil also experienced severe floods. Here, the Foundation doubled the amount that Danfoss employees donated in a charitable collection, and therefore contributed DKK 100,000 to the relief work. An additional DKK 300,000 was donated in connection with a national charitable collection for development projects and aid to drought-stricken people in Africa.

Responsible supplier management

Since 2004, Danfoss has had a Code of Conduct for suppliers which comprises rules for social and environmental responsibility. In 2010, a Code of Conduct Competence Center was established in Nordborg and a Code of Conduct Audit Office was established in China.

Danfoss has approx. 3,500 suppliers which deliver goods for production purposes. The suppliers are located all over the world. Many of them operate in areas where respect for human rights and labor rights cannot be taken for granted. Therefore, Danfoss has worked systematically over the past eight years to raise standards in its supplier chain.

In some countries, the environmental and social standards are lower than elsewhere. As a result, the suppliers are categorized in a risk-effect matrix, where one axis represents a geographically related risk level, and the other one represents the proportion of purchases from the supplier. The position of the supplier in the risk-effect matrix determines how often the individual supplier must be audited.

In 2011, Danfoss worked out a new strategy to ensure compliance with the Danfoss Code of Conduct for Suppliers. The strategy entails increased focus on Compliance in terms of the Code of Conduct, including that signature and compliance are included as the first part of the qualification process when new suppliers are selected. Furthermore, the new strategy implies increased focus on getting already audited suppliers in full compliance with the Code of Conduct.

In 2011, the Danfoss Code of Conduct Competence Center placed special focus on the audits of Danfoss' Top 20 suppliers at global level and on audits in China. In 2011, Danfoss carried out 221 audits of suppliers, of which 93 initial suppliers' audits were carried out in China alone.

Typical problems in connection with supplier audits are poor safety precautions in the form of a lack of emergency exits and fire extinguishing equipment, lack of personal protection equipment and incorrect treatment and storage of hazardous materials, such as chemicals and discharge of waste water. An action plan is always prepared in connection with an audit. Here, the suppliers commit themselves to rectify matters.

In general, it may take time to rectify matters which are not in order. However, it is critical that the supplier shows willingness to solve problems. If this is not the case, Danfoss does not wish to continue the cooperation with the supplier.

All new suppliers must sign the Danfoss Code of Conduct and existing suppliers must sign the Code of Conduct when their contract is renewed or the current version is updated. Danfoss' Code of Conduct has been signed by 2,151 suppliers worldwide.

The Danfoss Group's central database of Code of Conduct audits shows that the Danfoss Code of Conduct has been signed by 477 suppliers from high-risk countries, 201 from medium-risk countries and 1,473 from low-risk countries. Audits were performed at 22% of suppliers in high-risk countries, 25% of suppliers in medium-risk countries and 10% of suppliers in low-risk countries.

The audits alone do not ensure that Danfoss' requirements are observed. In 2012, Danfoss will, consequently, increase its focus on suppliers who were audited in 2011 to ensure that they solve the recorded problems. Danfoss' audit registration has been changed for the purpose of creating an overview of how many suppliers comply with the rules.

Employees

In 2011, the number of employees in the Danfoss Group (excluding Sauer-Danfoss) fell to 16,949 compared with 17,373 in 2010. The decline should be viewed in light of the fact that Danfoss sold off business units with a total of 1,133 employees in the course of the year, and therefore there is actually an increase in real terms in the number of employees in the group's core business.

Engaged and motivated employees are crucial in order for Danfoss to realize its strategy and reach its business goals. In 2011, the annual Employee Perception Survey showed the highest commitment ever since Danfoss introduced the survey, and the response rate of 90% was likewise the highest ever obtained.

One of Danfoss' goals is that each employee shall remain a valuable and attractive resource, so that the individual employee has the best possible

preconditions for adapting to Danfoss' business development. Danfoss makes use of both supplementary education and job-related training in the development of employees. Over the course of the year, Danfoss made the training offered via their internal global training academy, the DBS Academy, available to more employees than before, via their e-learning platform, the Danfoss Learning Platform among other things. Furthermore, Danfoss continued its efforts within the area of leadership development with revised evaluation and feedback processes. Danfoss also stepped up its work in developing manager talents, for example through the Accelerated Development Program.

The number of employees who chose to leave Danfoss in the course of the year increased from 5.2% in 2010 to 7% in 2011. The increase should be viewed in light of the fact that the previous years were characterized by lower job mobility as a consequence of the financial crisis. Total employee turnover was 15.7% in 2011 compared to 16.9% in 2010.



Climate

Danfoss is a global leader in energy-efficient solutions which save energy and deal with climate challenges. Consequently, it is only natural that the group tries to reduce the climate impact of its own activities. Therefore, Danfoss has a climate strategy, "3x25", which states that the group will reduce its CO₂ emissions from energy consumption, transportation of finished goods and business travel by 25% and increase the share of CO₂ neutral energy by 25% before 2025 compared to emissions in 2007. This corresponds to a reduction of 1.5% of the CO₂ emissions annually.

In 2007, Danfoss' CO₂ emissions were approx. 180,000 tonnes and, therefore, Danfoss' emissions in 2025 cannot exceed 135,000 tonnes.

In 2011, Danfoss emitted 131,500 tonnes of CO₂ from the group's electricity and heat consumption. The sources of these emissions were both direct emissions (own plants for the generation of power and heat) and indirect emissions (purchase of power and heat from external sources).

Danfoss' electricity consumption accounted for 81% of the group's total CO₂ emissions, corresponding to 105,000 tonnes in 2011, while approx. 26,500 tonnes of CO₂ were emitted in connection with heating.

All in all, the CO₂ emissions decreased by 6,500 tonnes in 2011 compared to 2010, despite the fact that the activity level increased in general. One of the reasons for the decline was that in 2010 and 2011 Danfoss sold or shut down a number of factories in the USA, Germany, Finland and Slovakia, where production processes had a greater impact on the environment.

Danfoss keeps focusing on reducing its CO₂ emissions from energy-consuming processes and systems to the highest extent possible. In 2011, Danfoss started a project, the object of which was to reduce the total energy consumption of the 15 largest factories by 20-25%. The first step is energy-saving measures at selected factories in Denmark (Viby, Silkeborg, Kolding, Vejle, Rødekro and two sites in Nordborg), Mexico (Monterrey) and the USA

(Arkadelphia). The second step is to review the factories in Lyon, France, Wuqing and Haiyan in China and Loves Park in the USA to find energy savings.

The project is based on the experiences Danfoss has gained from its factory in Gråsten, Denmark, which has made a targeted effort to make energy and CO₂ savings since 2008. In 2009, the factory started working with the energy consultancy firm Danfoss Solutions on ways of reducing energy consumption at the factory. In 2011, the factory in Gråsten emitted 21% less CO₂ than in 2010.

The energy savings in Gråsten were obtained by way of improved heat recovery, investment in considerably more efficient ventilation plants and less power-consuming lighting, among other things

Climate reporting

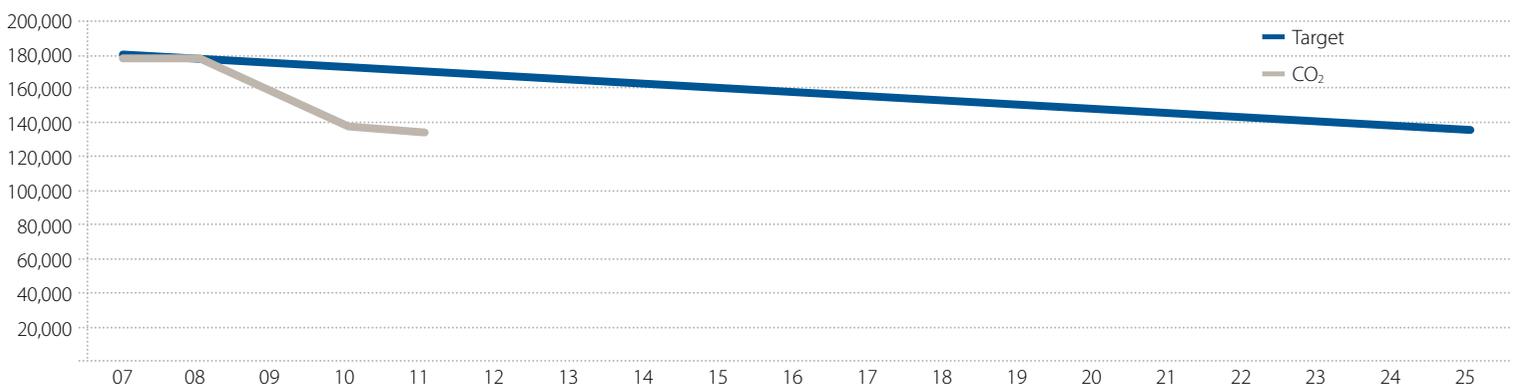
Since 2009, Danfoss has reported on the group's climate activities and emissions of greenhouse gases to the Carbon Disclosure Project's Supply Chain Program, where companies which have joined the program get an overall view of the supply chain's emissions and, at the same time, emissions are made public for the benefit of other companies.

In 2011, Danfoss reported its climate strategy, greenhouse gas emissions and the risks and business opportunities that the group expects to encounter in the years ahead. For further information on Danfoss' reporting, please visit www.danfoss.com.

Carbon footprint

Danfoss still faces demands, in particular from important customers and the authorities of individual countries, regarding carbon footprint labeling of products, the declaration of the products' CO₂ emissions during production and/or in-depth analyses of the climate effects of the products. It can often be difficult to answer very detailed requests adequately because information about the impact of materials and processes on the climate is not available throughout the supply chain.

CO₂ emission







Environment

In 2011, Danfoss therefore began looking into what information the individual business areas are required to provide to customers. In 2012, Danfoss expects to implement the first pilot projects with a view to establishing a global platform for assessing the environmental and climate conditions of the products, based on internationally recognized methods and data.

Danfoss is a global company with production in many countries. It is therefore important to ensure proper working conditions, a healthy and safe working environment and the utilization of resources in a sustainable way.

Danfoss takes responsibility for preventing pollution and removing any unwanted environmental effects; obtaining ongoing and measurable improvements of the environment and climate; and considering the individual human being, the working environment and the external environment.

Both in 2010 and 2011, Danfoss has sold off or closed production units. This results in a decrease in the consumption of raw materials, resources and the amount of waste and hazardous wastes as these factories are no longer included in the environmental section of the Corporate Citizenship report.

Raw materials and auxiliary materials

In 2011, the group's consumption of raw materials declined to 151,500 tonnes from 166,000 tonnes in 2010. Actually, the consumption of raw materials remains unchanged from 2010 as the factories sold off consumed 16,000 tonnes of raw materials in 2010. The total amount appears in the table on page 28.

A number of auxiliary materials are necessary during production but does not end up in the finished products. These materials are typically cutting oil and refrigerants, as well as materials for washing and cleaning items.

In 2011, 264 tonnes of cutting fluid were used to cool and lubricate metal processing, compared with 311 tonnes in 2010. The decline was due to divestment of metal processing factories.

Water consumption

The total water consumption for processing and sanitary purposes increased by 81,000m³ to 773,000m³, which was primarily caused by a defective cooling compressor for an IT system in Nordborg, which consumed 80,000m³ more in 2011 than in 2010. The water consumption at the other factories showed only a slight increase from 2010.

Energy

The consumption of electricity declined by approx. 4% compared to 2010, and represented 58% of Danfoss' total energy consumption in 2011.

24% of the total electricity consumption came from renewable sources such as solar, water, wind and biomass. Electricity from nuclear power plants accounted for 10% of the Group's consumption, while the rest came from

fossil sources such as coal, oil and gas. Electricity produced with coal accounts for 48% of the total electricity consumption.

The consumption of energy for heating declined by 11% compared to 2010. This was, among other things, due to the implementation of energy-saving projects and sell-offs. Almost all the energy for heating comes from fossil sources and natural gas accounts for 87%.

Chemical substances

Danfoss makes use of a number of chemical substances which can be harmful to employees and the environment. The substances are used in the manufacturing of products and if they are not immediately expendable or replaceable, they must be utilized as efficiently as possible and measures must be taken to protect the employees and the environment.

The amount of CRAN substances (carcinogenic or allergenic, harmful to reproduction or neurotoxic) of approx. 1,300 tonnes is a small increase compared to 2010. The amount of organic solvents remains unchanged, whereas the amount of environmentally dangerous substances decreased by 7%. The amount of toxic substances increased by 19% compared to 2010. The changes were due to the fact that some of the substances were classified differently in 2011 than in 2010 due to the implementation of the global GHS system for classifying and labeling chemicals, among other things.

Danfoss' Negative List forms the cornerstone of the efforts to reduce the use of potentially harmful substances in production processes and is an important guideline in product development to make sure that unwanted substances are not used in production or in Danfoss' products.

The list is extended on an ongoing basis. To keep the internal as well as the external stakeholders updated with the most recent changes and requirements, Danfoss now makes use of a subscription service to which all suppliers must subscribe so as to receive updates of the Negative List. At the end of 2011, more than 450 suppliers had subscribed to the service.

Danfoss has established an internal network for the purpose of ensuring that the products and Danfoss' production comply with the EU's far-reaching chemical reform, REACH. In this way, Danfoss ensures that their products and processes do not contain any candidate list substances and that Danfoss does not import chemicals from countries outside the EU or manufacture products which intended release of chemicals. In this way too, the Negative List is an important tool in the communication of requirements to the suppliers.

Violation of environmental legislation

In 2011, the factories reported 29 violations of environmental legislation. The violations were found in connection with internal inspections or where the local authorities have given an enforcement order. The violations included concentrations of oil in waste water at the Nordborg factory that were too

Working environment and safety

high and an accident in France where up to 20,000 liters of oil leaked into a rainwater basin after the failure of a pump in a tank of mineral oil. Oil and contaminated soil were collected and sent for treatment. The accident did not result in any permanent harm to the environment.

In order to run a sound and efficient company, Danfoss considers it necessary to have a good and safe working environment.

Working environment and safety are integrated elements in all the Group's activities. Making sure that all employees are thriving and not exposed to any work-related danger is deeply rooted in the Group's culture.

The environmental and health and safety policies lay down that Danfoss' business activities must be organized and carried out with consideration for the individual human being, the working environment and the surroundings. Approx. one third of the Danfoss factories all over the world are certified according to the working environment standard OHSAS 18001, while the rest have working environment and safety as an integrated part of their environmental work in line with the ISO 14001 standard.

Work accidents

The number of work accidents has dropped since 1999, when the frequency of accidents exceeded 28. In 2011, the frequency for production employees was 9.4 compared to 12.8 in 2010. The frequency for white-collar workers increased from was 1.3 which is unchanged from 2010. The frequency of accidents is calculated as the number of accidents per 1 million working hours.

Three factories had an accident rate of 30-35, whereas the rate at the other factories falls below this. Eight out of 35 factories have not had any accidents that resulted in absence in 2011. Efforts are being made to reduce the rate of accidents at the factories where the risk is highest.

In 2011, Danfoss had 145 accidents that resulted in at least one day of absence. The injured employees were absent for a total of 1,990 days, corresponding to an average of 14 days per accident. In 2010, the average absence was 25 days, so the accidents which occurred in 2011 were considerably less serious than in 2010.

In 2011, 73% of accidents were less serious and had resulting absence of ten days maximum, which is considerably more than in 2010. The remaining accidents were more serious and here the length of absence was more than ten days. 23 of these accidents resulted in absences of more than 20 working days.

Hands and fingers are still the body parts which are most exposed to injuries. They account for 51% of accidents. 9% of accidents were head injuries, whereas legs/feet and the rest of the body represented 15 and 25% respectively.

Violations of working environment legislation

In 2011, Danfoss factories reported 11 violations of working environment legislation as the result of internal audits or where local authorities have made an enforcement order. All cases were of minor importance and were solved without difficulty.



Assurance Statement

Introduction

Det Norske Veritas Business Assurance A/S (DNV) has been asked by the management of Danfoss (the Company) to carry out an assurance engagement on its 2011 Corporate Citizenship Report (the Report).

Danfoss is responsible for the collection, analysis, aggregation and presentation of information in the Report. DNV's responsibility in performing this work is to the management of Danfoss only and in accordance with agreed terms of reference. This statement is intended for the management and broader stakeholders of Danfoss.

Scope of Assurance

DNV agreed the following scope of work with Danfoss:

- Verification of the text and performance data in the Report, covering Danfoss' global activities from 1 January to 31 December 2011.
- Evaluation of the underlying processes for collecting and analyzing data from production sites and consolidating at corporate level.
- Information regarding Sauer-Danfoss is not included in the scope.
- DNV did not interview any external stakeholders.
- Verification activities took place in January and February 2012 at the Danfoss Head Office in Denmark as well as four production sites: Heating Solutions in Sofia, Bulgaria; Power Electronics in Gråsten, Denmark; as well as Commercial Compressors in Arkadelphia, USA and Lyon, France.

Verification Methodology

DNV planned and carried out the assurance engagement in accordance with DNV's Protocol for Verification of Sustainability Reporting. DNV reviewed processes and tools for implementing the Company's policies around Corporate Citizenship (including employees, business ethics, supply chain management, environment, health & safety) and challenged the related statements and data in the Report. DNV assessed the robustness of the underlying data management systems, information flows and internal control processes. To trace key performance data up through the reporting system, DNV conducted on-site verification at the above-mentioned factories and performed sample-based data checks of a further four production sites worldwide. The production sites were selected using a risk-based approach. Finally, DNV evaluated the Report's adherence to six principles: Materiality, Stakeholder Inclusiveness, Responsiveness, Completeness, Reliability and Neutrality. DNV's conclusions are based on interviews with 58 staff of various functions (including senior management) and review of relevant documentation and tools.

Conclusions

In DNV's opinion, the 2011 Corporate Citizenship report conveys a factual, fair and credible picture of Danfoss' major Corporate Citizenship activities. DNV has evaluated the Report's adherence to the following principles on a scale of *Good, Acceptable* and *Needs Improvement*:

Materiality: *Good.* The Report reflects to a great extent the Company's broad understanding of its material Corporate Citizenship risks. The Company is working systematically at a corporate level to entrench a high standard for ethical conduct. The preparation in 2012 of an overall strategy for Corporate Citizenship is expected to strengthen this and set specific goals for the further execution of the comprehensive initiatives begun in 2011, in collaboration with the Company's internal compliance and risk management functions. The Company is also working to map out areas of growing interest from stakeholders, including the societal impacts of products in a lifecycle perspective.

Completeness: *Acceptable.* DNV believes that the Report does not omit important information that would significantly influence stakeholder assessments of whether the Company manages its social and environmental impacts in a responsible manner. This applies within the scope and boundaries for reporting defined by Danfoss. The omission of Sauer-Danfoss, despite Danfoss' majority shareholding, is explained in a transparent manner, and the Company is working on the integration in future reporting. Similarly, future reporting is expected to address new focus areas, such as product sustainability.

Reliability: *Acceptable.* Danfoss generally demonstrates effective internal management and traceability of data, based on documented accounting principles and effective internal control procedures. These were strengthened in 2011 and engagement with data managers at individual production sites has increased. DNV nonetheless identified several errors in data entry and consolidation. These were corrected by Danfoss during DNV's assurance engagement, and DNV's visits to production sites confirmed a strong commitment to ensuring reliable and transparent reporting in future. Following DNV's review of data and underlying evidence, it is therefore DNV's opinion that the data presented in the Report are stated in accordance with the Company's accounting principles and are reliable.

Stakeholder Inclusiveness: *Acceptable.* Danfoss maintains an active dialogue between employees and management, both locally and at the corporate level, and seeks thereby to understand and respond to internal stakeholders' expectations for Corporate Citizenship and reporting. The Company also engages external stakeholders in various forums. The upcoming work on a Corporate Citizenship strategy – including reporting – should be supported by a stakeholder analysis and dialogue with key stakeholders.

Responsiveness: *Good.* Danfoss continues to work on integrating Corporate Citizenship principles in its daily business activities, and the Report reflects the Company's efforts on the most significant challenges in 2011. The Company has strengthened its efforts considerably on ethics, anticorruption and supply chain management through training, tools and internal control procedures.

Neutrality: *Good.* The performance in 2011 is presented in a balanced and direct way. Positive and negative performance is reported, along with commitments to future improvements.

Opportunities for Improvement

The following is an excerpt from DNV's observations and suggestions for improvement, as reported to the management of Danfoss.

- The preparation of an overall strategy for Corporate Citizenship should be supported by a stakeholder analysis and dialogue with key stakeholders, both at corporate level and at local production sites.
- The development of the strategy should enable a simplification of the current data collection, so it is adjusted to the selected KPIs. It should also include a roadmap for reporting, which clarifies goals and roles as well as a timetable for reporting on new areas.

- The development and deployment of additional innovative communication tools around Corporate Citizenship performance will help to increase engagement from stakeholders and support, for example, sales teams in their dialogue with customers.

DNV's Competence and Independence

DNV provides services in the area of Social Responsibility through qualified specialists worldwide. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality towards people interviewed during the assignment.



For Det Norske Veritas Business Assurance A/S

Copenhagen, 22. February 2012

A handwritten signature in black ink, appearing to read 'H Barton'.

Dr Helena Barton
Lead Verifier

A handwritten signature in black ink, appearing to read 'Jens Peter Høiseth'.

Jens Peter Høiseth
Country Manager

Accounts and notes



Applied accounting principles

The overall principles are materiality, relevance and transparency.

The CSR section covers all companies (both manufacturing and sales companies) where Danfoss has had a majority share throughout 2011. The environment section covers all factories where Danfoss has had a majority share throughout 2011.

Companies that have been acquired in 2011 will first appear in the Corporate Citizenship Report for 2011.

All data are exclusive Sauer-Danfoss.

Collection of data

CSR

Data for the CSR section is collected through five channels:

- An annual electronic questionnaire (CSR survey) distributed to all of the group's factories and sales companies.
- An electronic questionnaire (People Manager Survey) to all of the group's managers with direct reports. Both surveys are compiled in SurveyXact from Ramboll Management.
- Factory visits during which data are collected using observation, interview and dialogue.
- Supplier data collected in SCoCIS II (Supplier CoC Information System II), a database maintained by Global Procurement as well as information from Danfoss' purchasers.

The CSR Survey 2011 was distributed to 100 contact people (Presidents/General Managers/GS managers) who were asked to give their feedback on behalf of all factories and companies in the group.

Feedback was received from 88 out of 100 respondents. The answers represent 90% of the group's employees.

In 2011, the People Manager survey was distributed to 2,164 managers with employees reporting to them. 1,886 managers filled in the questionnaire, a response rate of 87.2%.

HR

Data for the HR part of Danfoss' Corporate Citizenship section is gathered from the personnel management system HR-SAP, where information about the employees is registered. Information about the number of Employee Development Dialogues (EDD) is gathered through the People Managers Survey.

Environment and working environment

Once a year, data on all factories' environmental impact, raw materials, energy, water and potentially harmful substances, as well as data on waste water, heavy metals and waste are collected through Oracle's *Enterprise Performance Management System* (EPM), which also is the factories' tool for financial reporting. Factories must also inform about the number and nature of accidents and indicate whether they have exceeded the conditions of their environmental permits or other agreements with environmental authorities.

Rules and guidelines

CSR and HR

The results from the CSR survey are reported to the respondents and the Executive Committee. The Executive Committee also receives the results of the People Manager Survey.

If critical conditions are established, the companies involved are approached with the purpose of rectifying the matters.

Most results from the CSR survey are included in Danfoss' Corporate Citizenship report, which is published as part of the company's efforts to make Danfoss' activities and results transparent. Some results are only included in the internal report.

Danfoss applies the guidelines contained in Global Reporting Initiative (GRI) to ensure transparency and completeness in reporting of results within HR, CSR and environment. The GRI table includes a list of the indicators covered by the Corporate Citizenship reporting.

The basis for reporting of CSR data exists in two Danfoss standards: One, Corporate Citizenship Reporting (corporate standard 500B0806), establishes the general guidelines for reporting of data. The second, Danfoss Headcount Definition (corporate standard 500B1146) define together with Work Instructions and Guidelines for HR-SAP Administrators definitions for HR data.

Environment

At the factories the major data are collected in accordance with procedures in the environmental management systems.

The foundation of the reporting of data for the Group Environmental Accounts is available in two Danfoss standards: The first, "Corporate Environmental Reporting" (corporate guideline 500B0806), defines the general guidelines for reporting of data.

The second, "Environmental reporting" (corporate standard 500B734), defines the precise guidelines for the reporting of raw materials, auxiliary materials and potentially harmful substances. The latter also defines what to observe in order to avoid reporting by double entry due to internal trading with other Danfoss factories and what should be done to ensure inclusion of all relevant data in the reporting.

In order to support the factories in their efforts to provide valid data, training in environmental reporting are held regularly and training also takes place during factory visits.

The factories must report a total of 85 different parameters (data types) via *Enterprise Performance Management System*. To ensure a uniform and valid reporting of data, guidelines and help texts are available for each parameter.

Data handling and validation

CSR and HR

Validation of data takes place after deadline. Respondents whose replies are controversial, questionable or self-contradictory are contacted in order to correct or clear up any errors. If there is a need to include supplementary explanations in the Corporate Citizenship report or in the internal reporting, the companies in question are asked to provide the necessary information.

The data is analyzed in a spreadsheet and form the basis for the survey conclusions.

HR data are validated in the HR organization according to guidelines.

Supply chain

Danfoss' suppliers are grouped in a risk-effect matrix. The purpose is to ensure a systematic approach to supplier management, prioritizing the most risk-prone suppliers. All countries are rated according to the level of risk, which describes the risk of the supplier not complying with the Code of Conduct, and the effect is determined by the extent of the purchase.

Environment

Consumption of raw material and potentially harmful substances occurs according to two principles: either at the registering of movements in stock or at purchasing. Most factories of the group use the latter. Other data is mainly stated in proportion to drawn up invoices in connection with purchasing/sales. This applies for example to the purchasing of energy and water or generation of waste. Heavy metals in wastewater data is normally measured by external laboratories.

Raw materials and auxiliary materials

The consumption of raw materials is reported as 23 different types of raw materials. The raw material types have been selected for their significance as to volume or since they include important information on the sectors in which Danfoss is active. Raw material types that cannot be related to a specific raw material type are reported under "Other raw materials".

Auxiliary materials and consist of cutting fluids and cleaning agents used in production processes.

Potentially harmful substances

The materiality criterion of potentially harmful substances is the volume or hazardousness of the substances, or that they are covered by the factories' environmental approvals. In order to facilitate clarity, the substances are grouped. It should be noted that some substances are only included in regard to the work environment. This applies for example to the substances that are called CRAN substances. These substances are considered carcinogenic, harmful to the ability to reproduce healthy children, allergenic, or harmful to the central nervous system.

CRAN-substances shall be classified and accounted for in accordance with national legislation on the labeling of the substances. This is done to ensure the greatest possible coherence to the factories environmental management systems.

11 substance groups exist in the potentially harmful substances category. Some substances are found in several substance groups, for example kerosene

which, apart from being individually reported, are also included in the group of organic solvents. CRAN substances can also appear in several groups. Moreover, the refrigerants CFCs, HCFCs and HFCs are reported as they have a special influence on the climate change.

Accidents

The frequency of accidents is calculated as the total number of accidents (including possible fatalities) per one million working hours. Temporary workers are not included in the figures.

Erroneous reporting

If systematic errors are revealed in the reported data or in the foundation of the data, the data in question are corrected five years back to ensure comparability. If changes are made to the classifying of chemical substances, the change only takes effect as of the year referred to, since it creates an entirely new situation. Changes in historical data must be approved by the external verifier.

Environmental Impact Index (EII)

An environmental impact index (EII) is used to express the group's relative environmental impact. EII reflects how efficiently resources are used and if the group is able to reduce the discharges relative to the volume of production. A decreasing EII indicates a lower relative environmental impact.

The environmental impact index is calculated as the index of environmental impact divided by the index of activity. Activity index is calculated from the average of the index for raw materials and the index of turnover.

Internal audit of data prior to consolidation

An internal audit group reviews a total of about 5,000 data reported each year by the factories, before the consolidation of data. During the internal audit comparisons are made on basis of previous years' of data, and a number of correlations between different data are reviewed. An example is the correlation between raw material consumption, energy consumption and waste, or the question whether the different kinds of waste types or potentially harmful substances have been correctly reported.

The Environmental Accounts includes 35 reporting entities. Some factories are split into several reporting entities. Other factories make an aggregate reporting because a split of e.g. electricity is impossible between the factories if located at the same premises.

Consolidation

When consolidating data, extracts are made for the different kinds of information and these are being consolidated at Group level. This applies for example to raw materials and potentially harmful substances. It is also checked that data are in accordance with previous years' consolidated data.

Calculation of CO₂ emissions

The calculation of CO₂ emissions is made on basis of the energy consumption multiplied by relevant emission factors. The source of the emission factors is the Greenhouse Gas Protocol (www.ghgprotocol.org). The calculation is based on Danfoss' consumption of oil and gas, its own energy production and heating consumption as a result of purchased electricity and district heating at external energy manufacturers. Each factory reports their consumption of energy as coming from renewable and non-renewable sources.

Transport

The environmental impact of internal transport and transport of products is not included in the Environmental Accounts 2011. This is due to the weighing between the impacts on the factories and on the other hand lack of methodical simplicity in the statement of the environmental impact of transport.

It is expected, however, that in 2012, a series of calculations of CO₂ emissions from transport will be carried out and measures will be initiated to the extent necessary to ensure the achievement of reduction goals of Danfoss' climate strategy.

Activities and changes during the year

Factories in environmental accounts

Accounts include all the factories where Danfoss has had a majority share in all of 2011. In the course of 2011, Water Valves factories in France and the United States were sold off along with Gearmotor factories in Germany and Slovakia and Danfoss LPM in Finland. Data from these factories are thus included not in the accounts. Danfoss Energy in China is the sole new factory in 2011. In addition, several of Global Services' functions in Nordborg were outsourced in 2011 and therefore not part of the reporting.

All factories in Nordborg now reports as one entity due to the establishment of a common environmental management and reporting system for the entire site.

Factory visits

Over the years site visits are conducted, where information about the environmental and social conditions at Danfoss' companies is collected.

Reports, minutes and correspondence from here form the basis of some of the information in the Corporate Citizenship Report.

External verification

External and independent third party verification of data and information in the Corporate Citizenship section of Danfoss' Annual Report is performed. Information about Sauer-Danfoss is not subject to verification.

The verification is conducted by Det Norske Veritas (DNV) as sample checks, factory visits and verification of the procedures for reporting and audit of data. Interviews with employees and managers in key functions are conducted in order to make assessment of both systems as attitude aspects.

DNV has during the verification visited factories in the United States, Bulgaria, France and Denmark, and taken samples of data from a number of other factories and companies in the Danfoss Group.

Significant CSR parameters

Certified working environment management systems	2008	2009	2010	2011
Worldwide		35%	42%	26%
Denmark		80%	93%	78%
Dismissals due to unethical behaviour	2008	2009	2010	2011
Total	64	29	40	26
Hereof cases that were safely reported through the Ethics Hotline	6	1	4	15
Juveniles between 15 and 18	2008	2009	2010	2011
Total	192	78	95	48
Production	119	37	69	29
Hereof trainees	83	21	33	22
Administration	27	11	17	5
Hereof trainees	21	5	8	3
Other functions	46	30	9	14
Hereof trainees	41	26	1	1
Cases of discrimination	2008	2009	2010	2011
Number of cases	2	2	2	5
Complaints from local community	2008	2009	2010	2011
Number of complaints	2	1	0	0
Health test of employees (number of companies)*	2008	2009	2010	2011
Medical examination		60	31	40
X-ray		17	11	16
Blood sample		35	18	27
Urine test		27	15	20
HIV/AIDS		2	0	1
Hepatitis		9	5	4
Health test of applicants (number of companies)*	2008	2009	2010	2011
Medical examination		24	18	12
X-ray		5	7	5
Blood sample		14	10	8
Urine test		23	7	6
HIV/AIDS		0	0	0
Hepatitis		3	4	1
Suppliers	2008	2009	2010	2011
Direct suppliers (supply goods for products)	3758	3498	4259	3519
Distribution of direct suppliers	2008	2009	2010	2011
High risk countries	10%	19%	13%	26%
Medium risk countries	15%	10%	10%	10%
Low risk countries	75%	71%	77%	64%
Suppliers having signed Code of Conduct (number)	2008	2009	2010	2011
High risk countries	28%	29%	81%	53%
Medium risk countries	8%	28%	46%	56%
Low risk countries	17%	47%	46%	65%
Audits at suppliers (%)	2008	2009	2010	2011
High risk countries	23%	14%	38%	22%
Medium risk countries	8%	7%	18%	25%
Low risk countries	4%	5%	5%	10%
Donations from Fabrikant Mads Clausens Fond	2008	2009	2010	2011
Donations (m DKK)	10	11.6	20,2	9,4
Danfoss Employee Foundation	2008	2009	2010	2011
Number of cases	400	300	300	300
Donations (m DKK)	5	2.6	3	3.2

* The validation process reveals that the tests are not used for discriminatory purposes

Significant HR parameters

Headcount per region		GLOBAL	Denmark	EMEA ex. DK	NAM	LAM	APAC
End of 2011		16,949	4,925	5,663	2,022	247	4,092
End of 2010		17,373	4,928	6,549	2,018	243	3,635
End of 2009		19,623	5,226	8,971	1,829	212	3,385
End of 2008		22,133	6,149	10,403	2,365	227	3,041

Headcount per employment type		TOTAL	Execs	Manager	Salary paid	Hourly paid	Trainee Appren
End of 2011		16,949	67	2,066	7,626	7,039	151
End of 2010		17,373	74	2,117	7,366	7,634	182
End of 2009		19,623	75	2,266	7,408	9,481	393
End of 2008		22,133	88	2,267	8,210	11,165	403

Employee turnover by Age group		TOTAL	15-24	25-34	35-44	45-54	55+
2011	Total turnover	15.7%	38.8%	15.9%	12.2%	10.1%	18.0%
2011	Voluntary resignation rate	7.0%	21.6%	9.2%	5.2%	3.1%	1.8%
2010	Total turnover	16.9%	47.9%	16.2%	12.0%	10.5%	18.4%
2010	Voluntary resignation rate	5.2%	15.1%	7.1%	4.8%	2.4%	1.5%
2009	Total turnover	20.2%	34.7%	19.9%	16.1%	16.4%	30.4%
2009	Voluntary resignation rate	3.8%	11.1%	5.4%	3.1%	1.5%	1.4%

Employee turnover by Service length		TOTAL	0-2	2-4	5-9	10-19	20+
2011	Total turnover	15.7%	24.4%	15.6%	12.6%	10.5%	8.1%
2011	Voluntary resignation rate	7.0%	12.5%	9.0%	5.3%	2.7%	0.8%
2010	Total turnover	16.9%	36.7%	12.6%	9.2%	8.3%	16.3%
2010	Voluntary resignation rate	5.2%	13.0%	5.1%	3.5%	1.7%	0.6%
2009	Total turnover	20.2%	30.6%	17.8%	14.0%	11.0%	15.9%
2009	Voluntary resignation rate	3.8%	6.9%	4.0%	2.3%	1.1%	0.8%

Employee turnover by Employee group		TOTAL	Execs	Manager	Salary paid	Hourly paid
2011	Total turnover	15.7%	7.1%	8.0%	12.0%	22.1%
2011	Voluntary resignation rate	7.0%	2.8%	4.6%	7.1%	7.7%
2010	Total turnover	16.9%	1.3%	10.3%	12.4%	21.5%
2010	Voluntary resignation rate	5.2%	0.0%	4.6%	5.7%	4.6%
2009	Total turnover	20.2%	14.6%	7.1%	17.6%	26.1%
2009	Voluntary resignation rate	3.8%	1.0%	2.4%	4.5%	3.8%

Employee turnover by Gender		TOTAL	Males	Females
2011	Total turnover	15.7%	15.7%	15.6%
2011	Voluntary resignation rate	7.0%	7.4%	6.2%
2010	Total turnover	16.9%	17.3%	16.4%
2010	Voluntary resignation rate	5.2%	5.6%	4.5%
2009	Total turnover	20.2%	19.0%	22.7%
2009	Voluntary resignation rate	3.8%	4.1%	3.2%

Employee Turnover by region		GLOBAL	Denmark	EMEA ex. DK	NAM	LAM	APAC
2011	Total turnover	15.7%	11.1%	13.6%	28.7%	11.4%	18.1%
2011	Voluntary resignation rate	7.0%	4.0%	5.6%	9.5%	4.7%	11.5%
2010	Total turnover	16.9%	19.4%	13.3%	22.7%	8.8%	16.7%
2010	Voluntary resignation rate	5.2%	3.8%	3.7%	7.6%	1.3%	9.0%
2009	Total turnover	20.2%	19.7%	18.9%	34.4%	11.9%	17.5%
2009	Voluntary resignation rate	3.8%	2.9%	2.7%	4.4%	0.6%	8.1%

Leading people at Danfoss (participant days)		TOTAL
No. of days 2011		362
No. of days 2010		476
No. of days 2009		856
No. of days 2008		488

Manager EDDs completed		GLOBAL	Denmark	EMEA ex. DK	NAM	LAM	APAC		
2011	Dialogues	77,3%	79,5%	75,9%	74,0%	58,1%	78,9%		
2010	Dialogues	86,8%	97,2%	74,3%	90,4%	76,8%	94,7%		
2009	Dialogues	63,0%	65,4%	72,1%	79,0%	54,2%	49,0%		
2008	Dialogues	69,5%	83,6%	73,7%	73,5%	41,8%	29,9%		
Total EDDs completed		GLOBAL	Denmark	EMEA ex. DK	NAM	LAM	APAC		
2011	Dialogues	68,7%	74,7%	63,3%	63,9%	57,6%	72,2%		
2010	Dialogues	71,9%	82,7%	56,2%	65,8%	66,8%	86,6%		
2009	Dialogues	59,3%	68,5%	52,8%	70,0%	72,2%	52,9%		
2008	Dialogues	62,8%	82,1%	52,4%	78,9%	31,7%	46,6%		
Employees & Managers by gender		GLOBAL	Denmark	EMEA ex. DK	NAM	LAM	APAC		
2011	All employees - Males	67%	66%	66%	66%	80%	68%		
2011	All employees - Females	33%	34%	34%	34%	20%	32%		
2011	Male Managers	81%	84%	83%	80%	78%	74%		
2011	Female Managers	19%	16%	17%	20%	22%	26%		
2010	All employees - Males	65%	63%	64%	63%	67%	67%		
2010	All employees - Females	35%	37%	36%	37%	33%	33%		
2010	Male Managers	81%	84%	84%	80%	81%	72%		
2010	Female Managers	19%	16%	16%	20%	19%	28%		
2009	All employees - Males	68%	65%	69%	66%	82%	70%		
2009	All employees - Females	32%	35%	31%	34%	18%	30%		
2009	Male Managers	81%	84%	83%	82%	81%	71%		
2009	Female Managers	19%	16%	17%	18%	19%	29%		
Employee Categories by gender		2009		2010		2011			
		Males	Females	Males	Females	Males	Females		
Total		13.348	6.275	11.345	6.028	11.336	5.613		
Executives		75	0	72	2	64	3		
Managers		1.824	442	1.710	407	1.661	405		
Salary paid employees		5.029	2.379	4.837	2.529	5.193	2.433		
Hourly paid employees		6.136	3.345	4.588	3.046	4.306	2.733		
Trainees/ Apprentices		284	109	138	44	112	39		
Employee Categories by Age group		15-24	25-34	35-44	45-54	55+			
2011	Total	1.256	5.826	4.654	3.516	1.697			
	Executives	0	0	15	40	12			
	Managers	5	438	894	541	188			
	Salary paid employees	260	3.010	2.141	1.453	762			
	Hourly paid employees	886	2.347	1.591	1.480	735			
	Trainees/ Apprentices	105	31	13	2	0			
2010	Total	1.345	5.505	4.950	3.725	1.848			
	Executives	0	1	22	33	18			
	Managers	1	398	962	571	185			
	Salary paid employees	258	2.762	2.140	1.423	783			
	Hourly paid employees	953	2.304	1.818	1.697	862			
	Trainees/ Apprentices	133	40	8	1	0			
2009	Total	1.554	5.913	5.722	4.338	2.096			
	Executives	0	1	19	38	17			
	Managers	3	475	951	601	236			
	Salary paid employees	244	2.638	2.249	1.454	823			
	Hourly paid employees	985	2.738	2.493	2.245	1.020			
	Trainees/ Apprentices	321	61	11	0	0			
Manager National Origin		DK	CN	DE	US	FR	SI	RU	Others
2011	Total managers	29,2%	15,9%	4,1%	6,5%	4,4%	2,0%	5,8%	32,3%
2011	Executives	68,7%	0,0%	4,5%	6,0%	4,5%	1,5%	1,5%	13,4%
2010	Total managers	28,8%	12,8%	5,4%	6,5%	6,3%	1,6%		38,6%
2010	Executives	67,1%	0,0%	6,8%	2,7%	4,1%	1,4%		17,8%
2009	Total managers	28,4%	8,8%	8,1%	5,8%	5,3%	4,2%		39,4%
2009	Executives	65,2%	0,0%	10,5%	2,1%	4,2%	3,2%		11,6%

Abbreviations:

NAM: North America, **LAM:** Latin America, **APAC:** Asia/Pacific, **EMEA:** Europe, Middle East and Africa

Significant environment and working environment impacts

Energy (TJ)	2007	2008	2009	2010	2011	2011 distr
Energy consumption	1,940	1,965	1,808	1,530	1,367	
Ell - Energy	98	101	107	95	92	
Natural gas	1,126	1,135	1,016	822	788	57.7%
Electricity	623	663	641	609	504	37.0%
Gasoil	19	17	16	4	3	0.2%
Heavy fuel	45	43	34	2	2	0.1%
District heat	125	104	98	87	66	4.8%
Other energy	2	3	3	2	2	0.1%
Electricity (MWh)	2007	2008	2009	2010	2011	2011 distr
Total electricity consumption	312,741	315,411	282,231	228,425	218,938	
Non renewables						
Coal	143,598	143,283	125,093	108,678	104,433	47.6%
Oil	9,983	8,038	7,608	9,022	10,286	4.7%
Gas	34,550	34,117	22,236	23,913	25,926	11.8%
Misc.	9,889	9,828	11,509	7,292	3,270	1.8%
Renewables						
Solar, wind	37,948	44,687	41,873	37,863	39,571	18.0%
Biomass	6,693	7,960	9,752	9,695	10,280	4.7%
Misc.	8,085	6,303	4,984	2,899	3,154	1.4%
Nuclear	61,994	61,195	59,175	29,062	22,018	10.0%
CO₂ emissions (tonnes)	2007	2008	2009	2010	2011	2011 distr
Total emission	177,594	176,521	157,233	137,998	131,493	
Coal	115,494	115,370	99,650	88,171	87,758	
Oil	11,514	10,008	8,902	6,659	7,380	
Gas	42,383	42,838	38,396	36,906	32,124	
District Heat	4,012	3,482	3,148	3,032	2,448	
Misc.	4,190	4,823	7,136	3,230	1,783	
Water (m³)	2007	2008	2009	2010	2011	2011 distr
Water consumption	829,793	839,004	742,083	692,261	773,007	
Ell - Water	100	102	104	107	123	
Surface water consumption	276,550	274,582	300,665	294,053	325,377	42.3%
Ground water consumption	504,611	503,726	384,073	331,630	381,376	49.2%
Recycled water	48,632	60,696	57,345	66,578	66,254	8.5%
Raw materials (tonnes)	2007	2008	2009	2010	2011	2011 distr
Iron	202,669	189,522	166,230	78,863	70,827	46.7%
Stainless steel	5,474	4,971	3,994	5,579	7,885	5.2%
Brass and copper (incl. alloys)	25,579	26,606	20,984	17,091	15,259	10.1%
Aluminium and aluminium alloys	8,084	8,157	6,944	6,665	6,122	4.0%
Other metals	168	164	109	175	209	0.1%
PVC	684	725	450	539	693	0.5%
Plastics with formaldehyde emission	276	228	176	191	176	0.1%
Other plastics types (incl. rubber)	5,575	5,539	5,124	7,209	4,654	3.1%
Electronic and electro-mechanical components	23,427	21,057	24,614	30,305	26,446	17.5%
Soldering materials (incl. leaded)	62	67	113	59	57	0.0%
Wood (incl. Wooden pallets)	11,619	11,967	10,546	7,302	7,162	4.7%
Packaging of cardboard and plastics	6,973	6,963	6,004	7,065	6,631	4.4%
Other raw materials (incl. filling media and chemicals in products)	9,362	8,221	8,150	4,904	5,426	3.6%
Group's total raw material volume	299,955	284,186	253,438	165,947	151,546	
Auxillary materials (tonnes)	2007	2008	2009	2010	2011	2011 distr
Cuttings/fluids	816	669	571	311	264	
Ell - cutting fluids	100	83	82	49	42	
Cleanings agents in processes	465	396	389	251	267	
Ell - cleaning agents	100	86	98	69	75	

Potentially harmful substances (tonnes)	2007	2008	2009	2010	2011	2011 distr
CRAN materials	1,263	1,219	904	1,213	1,302	
EII - CRAN materials	100	98	83	123	134	
Substances toxic to man	37	27	24	32	38	
EII - Toxic substances	100	75	77	114	136	
Dangerous for the environment	288	262	178	151	140	
EII - Dangerous for the environment	100	92	72	67	63	
Organic solvents	288	347	261	266	263	
EII - Organic solvents	100	122	106	119	119	
HCFCs controlled by the MP (Purchased amounts)	10	9	7	5	8	
MPI - HCFC (Montreal Protocol)	100	88	84	64	100	
Green House Gases control by KP (Purchased amounts)	85	83	75	82	110	
EII - HFC (Kyoto Protocol)	100	100	103	125	169	
CFC+TRI+ PER (Purchased amounts)	0	5	3	3	0	
Chlorinated oils	10	7	6	10	8	
EII - Process oil containing chlorine	100	71	74	129	113	
Kerosene	37	64	48	37	43	
EII - Kerosene	100	173	151	128	151	
Waste water	2007	2008	2009	2010	2011	2011 distr
Discharged industrial waste water (m ³)	256,465	261,179	198,047	211,504	184,471	
EII - Discharged industrial waste water	100	103	90	106	94	
Heavy metals in waste water (kg)	192	186	139	118	114	
EII - Heavy metals in waste water	100	98	85	79	77	
Waste (tonnes)	2007	2008	2009	2010	2011	2011 distr
Waste	79,912	76,717	55,788	25,826	22,267	
EII - Waste	100	97	81	42	36	
Waste for incineration	1,668	1,776	1,308	2,021	1,372	
EII - Incineration	100	108	91	156	107	
Waste for landfill	2,849	3,154	2,006	1,883	1,268	
EII - Landfill	100	112	82	85	58	
Oil and chemical waste	4,057	4,657	4,152	2,377	2,098	
EII - Oil and chemical waste	100	116	119	75	67	
Waste for recycling	64,565	60,958	48,323	19,546	17,529	
EII - Recycled waste	100	96	87	39	35	
Accidents with absense	2007	2008	2009	2010	2011	2011 distr
Fatal accidents	0	0	0	0	0	
Number of accidents with absense (blue collar)	312	330	254	184	132	
Frequency of accidents (blue collar)	15,5	16,8	15,5	12,8	9,4	
Number of accidents with absense white collar)		21	22	14	13	
Frequency of accidents white collar)		2,3	2,7	1,3	1,3	
Accidents with absense 1-4 days	110	99	92	71	59	41.3%
Accidents with absense 5-10 days	88	99	65	38	46	32.2%
Accidents with absense 11-19 days	43	46	40	26	15	10.5%
Accidents with absense > 20 days	71	86	57	49	23	16.1%
Total number of days of absense	5,438	6,864	5,048	4,697	1,990	
Finger/Hand/Arm accidents	167	172	121	91	72	51.0%
Head accidents	27	30	28	20	13	9.0%
Legs/Feet accidents	68	68	56	40	22	15.2%
Other parts of body accidents	50	60	49	36	36	24.8%

* Two accidents for administration are not included in the distribution.

GRI indicator

	ISO 26000	GC principle	Page reference	Results/Comments
PROFILE				
Strategy & Analysis				
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.		9	
1.2	Description of key impacts, risks, and opportunities.		9, 21, 25	
Organizational Profile				
2.1	Name of the organization.		2	
2.2	Primary brands, products, and/or services.			See www.danfoss.com
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		2, 103, 105	See www.danfoss.com
2.4	Location of organization's headquarters.		130, 105	Nordborgvej 81, DK-6430 Nordborg, Denmark
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		18-20	
2.6	Nature of ownership and legal form.		18-20	See www.danfoss.com
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).			See www.danfoss.com
2.8	Scale of the reporting organization, including: <ul style="list-style-type: none"> • Number of employees; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided. 		5	See Danfoss Annual Report
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: <ul style="list-style-type: none"> • The location of, or changes in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations). 		6	See Danfoss Annual Report
2.10	Awards received in the reporting period.			None
Report profile				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.			Reporting period is January 1 - December 31, 2011.
3.2	Date of most recent previous report (if any).			Annual Report 2010 published on March 29, 2011.
3.3	Reporting cycle (annual, biennial, etc.)			Annual
3.4	Contact point for questions regarding the report or its contents.			Corporate Citizenship & Sustainability, mail: corp_citizenship@danfoss.com

Page reference: **Danfoss Annual Report 2011** | Corporate Citizenship Report 2011

	ISO 26000	GC principle	Page reference	Results/Comments
Report Scope and Boundary				
3.5	Process for defining report content, including: <ul style="list-style-type: none"> • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report. 			Detailed accounting principles are available on the Danfoss Group webpage (www.danfoss.com) under About Us/Corporate Citizenship
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.			The Corporate Citizenship Report include all companies where Danfoss has an owner share exceeding 50% for the whole year 2011 The Corporate Citizenship Report does not include Sauer-Danfoss' activities.
3.7	State any specific limitations on the scope or boundary of the report		22-24	See accounting principles
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		22-24	See accounting principles
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.		22, 24	See accounting principles
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).		22, 24	See accounting principles
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		22, 24	Danfoss has sold or closed several factories causing the raw materials to decrease. See the accounting principles for details.
GRI Content Index				
3.12	Table identifying the location of the Standard Disclosures in the report. Identify the page numbers or web links where the following can be found: <ul style="list-style-type: none"> • Strategy and Analysis 1.1 – 1.2; • Organizational Profile 2.1 – 2.10; • Report Parameters 3.1 – 3.13; • Governance, Commitments, and Engagement 4.1 – 4.17; • Disclosure of Management Approach, per category; • Core Performance Indicators; • Any GRI Additional Indicators that were included; and • Any GRI Sector Supplement Indicators included in the report. 			This table
Assurance				
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).		18, 19 22,24	An external and independent third party verification of data and information in the Corporate Citizenship Report is performed by Det Norske Veritas.
Governance				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		2, 18, 20	

	ISO 26000	GC principle	Page reference	Results/Comments
Governance				
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).		18, 20	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.			Not relevant
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include reference to processes regarding: <ul style="list-style-type: none"> • The use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and • Informing and consulting employees about the working relationships with formal representation bodies such as organization level 'work councils', and representation of employees in the highest governance body. 			Please see company website www.danfoss.com for further information about corporate governance.
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organization's performance (including social and environmental performance).			Please see company website www.danfoss.com for further information about corporate governance.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.			Please see company website www.danfoss.com for further information about corporate governance.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.			Please see company website www.danfoss.com for further information about corporate governance.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. Explain the degree to which these: <ul style="list-style-type: none"> • Are applied across the organization in different regions and department/units; and • Relate to internationally agreed standards. 			The topics are described throughout Danfoss' Annual Report
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Include frequency with which the highest governance body assesses sustainability performance.		18, 20	Please see company website www.danfoss.com for further information about corporate governance.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		18, 20	Please see company website www.danfoss.com for further information about corporate governance.
Commitment to External Initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.			Danfoss' environmental policy states that: We will support a precautionary approach to environmental challenges by: <ul style="list-style-type: none"> • Going further than required by law in restricting the use of substances and processes that might present a potential risk to the environment • Striving to be among the most environmentally conscious companies within our branches of industries. Please see company website www.danfoss.com for further information.

	ISO 26000	GC principle	Page reference	Results/Comments
Commitment to External Initiatives				
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.				Danfoss has joined UN's Global Compact Initiative, UN's Caring for Climate and ICC's Business Charter for Sustainable Development.
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. 				Data not collected
Stakeholder engagement				
4.14 List of stakeholder groups engaged by the organization.		4.5, 5.3, 6.2		Data not collected
4.15 Basis for identification and selection of stakeholders with whom to engage.		4.5, 5.3, 6.2		Data not collected
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		4.5, 5.3, 6.2		We strive to engage in the local communities where we operate and are aware of the influence we have on those around us. As a global company, we understand that our stakeholders have an interest in the way we run our business, and engagement with local communities enables us to maintain our social "licence to operate". Danfoss' Corporate Citizenship & Sustainability department holds round-table discussion with NGOs concerning respectively Environment/Climate and CSR/Human Rights agenda. At these meetings the NGOs can ask Danfoss questions and recommend ways to address specific concerns and issues.
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.				No meetings with external stakeholders (NGOs) were held in 2011 about Danfoss' results and reporting.
SOCIETY				
Community				
S01 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. (Core)	1	6.8 6.8.3 6.8.9		Requirements in terms of open and honest communication in company operations is described in the Ethics Handbook that all leaders must sign.
Corruption				
S02 Percentage and total number of business units analyzed for risks related to corruption. (Core)	10	6.6 6.6.3	5	Transparency International's Corruption Perception Index is used for prioritizing the efforts against corruption. Country risk analyses are available for all the countries where Danfoss has production facilities. The country-risk analyses uncover the current situation in a country in terms of human rights, labor rights, working environment issues and corruption.
S03 Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)	10	6.2 6.6 6.6.5 6.6.3	5	Danfoss has developed a dilemma game on corruption and bribery, based on dilemmas that regional sales managers have experienced. Similarly, a dilemma game on ethics has been developed. The dilemma games are used when visiting factories and the dilemma game on corruption and bribery is also available in an on-line version at the Intranet. When <i>Corporate Citizenship & Sustainability</i> carries out visits to factories and sales companies, workshops on anti-corruption is always a part of the visit.

Page reference: **Danfoss Annual Report 2011** | Corporate Citizenship Report 2011

	ISO 26000	GC principle	Page reference	Results/Comments
SOCIETY				
Community				
SO4 Actions taken in response to incidents of corruption. (Core)	10	6.6.3	59	Danfoss monitors issues of corruption and bribery in two surveys: The annual CSR survey to all presidents/general managers and the People Managers Survey, where all People Managers are asked how many employees they have dismissed (or who have voluntarily resigned) due to unethical behavior. If non-compliance or risk of non-compliance are found the company will be asked to remedy immediately.
Public Policy				
SO5 Public policy positions and participation in public policy development and lobbying. (Core)	10	6.6.4		Danfoss is registered with the lobby registers in both the EU and USA, continuing to build-up contacts to political decision-makers in the EU institutions and the American Congress, to promote energy and environmental policies. Danfoss opened its lobby office in Brussels in August 2009 and has, among other things, contributed with information to be used for the phrasing of EU's Energy Performance Building Directive. In the USA, the contact with other interest organizations and political institutions has contributed to obtaining consensus on the phasing out of HFC refrigerants. This has resulted in a draft bill and a US proposal to include the phasing out of HFC in the Montreal Protocol. Moreover, a series of symposia arranged by Danfoss help foster discussions about energy and environmental politics by hosting forums where our customers, leaders in the business community and representatives of public-sector authorities can exchange ideas on politics, technologies and solutions that can pave the way for and shape an energy-efficient industrial sector.
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. (Additional)	10	6.4.4		Danfoss' Ethics Handbook states that employees must not use Danfoss' letter head/mail address to express personal political views or to link Danfoss' name with party-specific political activities of any kind. Furthermore it is not allowed to financially support political parties on behalf of the company and to use Danfoss effects when taking part in party-specific political activities.
Anti-Competitive Behavior				
SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.(Additional)	10	6.6.5	59	
Compliance				
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. (Core)	7,8	6.6	59	All significant fines (if any) are mentioned in Danfoss' Annual Report. All breaches of environmental and health & safety laws are mentioned in the Corporate Citizenship Report.
LABOUR PRACTICES				
Employment				
LA1 Total workforce by employment type, employment contract, and region. (Core)	6	6.4	26, 27	
LA2 Total number and rate of employee turnover by age group, gender, and region. (Core)	6	6.4	26,27	
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. (Additional)	6	6.4		34% percent of companies do not have the same pension scheme for temporary workers as they have for other employees. 17% of the surveyed companies have other rules for the length of holidays and payment therefor. In 19% of the companies temporary employees can not elect representatives for the Safety Committees.
Labour/Management Relations				
LA4 Percentage of employees covered by collective bargaining agreements.(core)	3	6.4	7	Danfoss is operating in a lot of different countries, also countries where there is not a free choice of unionizing. In these cases, Danfoss has established alternative forums in terms of discussing work related issues. An example of an alternative forum is the European Information and Consultation Forum established by Danfoss. The main purpose of EICF is to establish a transnational forum for information, consultation and dialogue and to ensure the establishment of information and consultation procedures in matters of importance to Danfoss employees in more than one country. 3 companies indicate that their employees are not free to choose the membership of a Trade Union, but they have established alternative forums where employees can discuss labor issues with the management.

	ISO 26000	GC principle	Page reference	Results/Comments
Labour/Management Relations				
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. (Core)	6.8.5 6.4.4	3		The minimum notice period is directed by national legislation. 8 companies in the CSR survey reports to have undergone layoffs affecting more than 10% of the workforce. Three of them economically compensated more than required by law. Four offered longer notice period than required, two of them offered extra education/training to upgrade qualifications and five set up employment offices to help fired employees get a new job.
Occupational Health and Safety				
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. (Additional)	6.4.6	1		The majority of their permanent employees are covered by formal management-employee health and safety committees or forums. Temporary workers' health and safety interests are taken care of even though they can not be elected.
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	6.4.6	1	29	The frequency of accidents for production and administrative areas is calculated for each company and used in the continuous efforts to reduce the number of accidents. The frequency of accidents for production was in 2011 13.5 in Europe, 4.6 in USA and 6.2 in China.
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.(core)		1		Data not collected.
LA9 Health and safety topics covered in formal agreements with trade unions. (Additional)		3		Data not collected.
Training and Education				
LA10 Average hours of training per year per employee by employee category. (Core)	6.4.7			Danfoss reports the number of hours used for training in environmental and safety related matters. In 2011 46,000 hours were spent on training in these matters.
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	6.4.7 6.8.5		11	
LA12 Percentage of employees receiving regular performance and career development reviews. (Additional)	6.4.7		26, 27	Annual employee development dialogues (EDD) are carried out with leaders and employees. In 2011, EDD's were carried out with 77% of all leaders and with 69% of all employees. Both figures show a decrease compared to 2010. In Latin America there are only conducted EDD's with 58% of leaders and employees in 2011.
Diversity and Equal Opportunity				
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core)	6.4 6.3.7	1,6	18, 20 26, 27	In a lot of countries there are restrictions on what to register in terms of minorities. In some countries we register the number of disabled people, and also in this area we face restrictions on what to register. Danfoss has chosen not to include this question in the CSR survey 2011.
LA14 Ratio of basic salary of men to women by employee category.(core)		1,6		Data not collected.
HUMAN RIGHTS				
Investment and Procurement Practices				
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. (Core)	6.3.3	1,2,3,4,5,6		Data not collected.
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. (Core)	6.3	1,2,3,4,5,6	10, 25	
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.(Additional)	6.3	1,2,3,4,5,6	5	Training in the Ethics Handbook contains Human Rights and labor Rights training. Training in the Ethics Handbook by local management is not recorded, while corporate training at the local sites is recorded. The Ethics E-learning program carried out in December 2011 was completed by close to 700 managers who in average spent 1 hour each on the training. Additional 120 leaders undertook training at the beginning of 2012, while the remaining 1,500 leaders expected to complete the training in the first half of 2012.

	ISO 26000	GC principle	Page reference	Results/Comments
Non-discrimination				
HR4 Total number of incidents of discrimination and actions taken. (Core)	6.3.7	1,6	7	
Freedom of Association and Collective Bargaining				
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. (Core)	6.3.10 6.4.3	1,3	7	In countries where national law does not give employees the right to freely choose a trade union or where an established trade union system is not possible, Danfoss will make sure that employees can meet with management in other ways to discuss work-related conditions. 3 companies indicate that their employees are not free to choose the membership of a Trade Union, but they have established alternative forums where employees can discuss labor issues with the management.
Child Labour				
HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. (Core)	6.3.7 6.3.10	1,5	7	In the CSR survey all companies ask to provide information regarding the use of employees under the age of 15 and juveniles between 15 and 18 years of age. No companies have employees below 15 years of age. In production 15 juveniles are working, hereof 12 trainees, in administration 5 juveniles are working, hereof 3 trainees. In other functions 14 juveniles are working and one of them is a trainee. All ILO Conventions regarding child work regulating how to juveniles should be treated at work are adhered to except two sites where juveniles did not enjoy more breaks than adults. In both cases the juveniles are only working a few hours a day after school.
Forced and Compulsory Labour				
HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. (Core)	6.3.10	1,4	7	Two of Danfoss' factories in Denmark and Romania respectively have suppliers who use prison labor. In both places the use of prison labor is in accordance with UN rules for prison work.
Security Practices				
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.(Additional)	6.3.5	1		43 companies have security personnel on the premises and in only one of them are guards employed by Danfoss. Guards' tasks are typically access control (84%), patrolling at night (93%) as well as the monitoring of surveillance cameras (67%) 93 % of companies have a written procedure defining the role and responsibility of the security guards.
Oprindelige folks rettigheder				
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.(Additional)	6.8	1		The CSR survey 2011 disclosed no negative impact on indigenous people.
PRODUCT RESPONSIBILITY				
Customer Health and Safety				
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. (Core)	6.7.4	8		All new and changed products shall be subjected to safety examination in accordance with valid standards before being released for sale, unless the character of the changes does not justify such examination. The decision to omit a safety examination shall be documented. Registration shall be made during production to document that safety and quality requirements have been and are being met. When products present a real risk of damage or injury as a result of incorrect installation, service and use, all associated technical information and the products themselves shall contain/be marked with a warning of such risk. If after a product has been delivered a problem is discovered which might lead to damage or injury, and especially if damage or injury has occurred, steps shall be taken in accordance with Annex A to call in any such product(s) to determine whether they are defective, and to limit loss/damage/injury on the part of both customers and third parties. Not reported
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. (Additional)	6.7.4	8		Data not collected
Product and Service Labeling				
PR3 PR3 Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements. (Core)	6.7	8		Danfoss complies with all regulations regarding product and service information.

	ISO 26000	GC principle	Page reference	Results/Comments
Product and Service Labeling				
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.(Additional)				Data not collected
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. (Additional)				Measurement of customer satisfaction takes place locally, but the company is working towards a consolidation of practices at group level.
Marketing Communications				
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	6.7.3			Danfoss' Communication Policy and Danfoss' Ethics Handbook stipulates the rules and guidelines for marketing communication, sponsorship agreements and the like. Danfoss aims to sponsor forward-looking initiatives for the benefit of the company and others located in the local areas where Danfoss operates. Danfoss supports recognized and established organizations, for example sports clubs with a primary affiliation to Danfoss' employees or other stakeholders in the areas where Danfoss is present. Danfoss bases its sponsorships on the International Chamber of Commerce's (ICC) code of sponsoring, which defines guidelines for companies' ethically sound application of sponsorships. Danfoss does not sponsor motorsport or the like, as it does not comply with the company's environmental profile; political or religious associations; purposes or activities which conflict with Danfoss' reputation or values or projects which are closely linked with Danfoss' competitors.
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes. (Additional)				Danfoss has chosen to let Det Norske Veritas verify a number of so-called "Circles of Trust" in order to be able to document that information about the energy-saving potential of Danfoss' products or services is true and fair and credible.
Customer Privacy				
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. (Additional)				Data not collected
Overholdelse af love, bestemmelser og standarder				
PR9 Monetær værdi af væsentlige bøder for manglende overholdelse af love, bestemmelser og standarder vedrørende levering og brug af produkter og tjenesteydelser	6.7			No fines
ENVIRONMENT				
Materials				
EN1 Materials used by weight or volume. (core)		8,9	28	
EN2 Percentage of materials used that are recycled input materials. (core)		8,9		Not accounted for
Energy				
EN3 Direct energy consumption by primary energy source. (core)		8	28	
EN4 Indirect energy consumption by primary source. (Core)		8	28	
EN5 Energy saved due to conservation and efficiency improvements.(Additional)		8,9	12, 15	
EN6 Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives. (Additional)		8,9	12	Please see the www.danfoss.com for information about the company's product and services within Climate & Energy.
EN7 Initiatives to reduce indirect energy consumption and reductions achieved.(Additional)		8,9	12	
Water				
EN8 Total water withdrawal by source. (Core)		8	15, 28	
EN9 Water sources significantly affected by withdrawal of water. (Additional)		7,8		Data not collected
EN10 Percentage and total volume of water recycled and reused. (Additional)		8,9	28	

	ISO 26000	GC principle	Page reference	Results/Comments
Biodiversity				
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. (Core)		8		Data not collected
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. (Core)		7,8		Data not collected
EN13 Habitats protected or restored. (Additional)		8		Data not collected
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity. (Additional)		8		Data not collected
EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. (Additional)		7,8		Data not collected
Emissions, Effluents and Waste				
EN16 Total direct and indirect greenhouse gas emissions by weight. (Core)		7,8,9	28	Danfoss' Carbon Disclosure Project report
EN17 Other relevant indirect greenhouse gas emissions by weight. (Core)		7,8,9		Danfoss' Carbon Disclosure Project report
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)		7,8,9	12	
EN19 Emissions of ozone-depleting substances by weight. (Core)		7,8,9		Danfoss' Carbon Disclosure Project report
EN20 NOx, SOx, and other significant air emissions by type and weight. (Core)		8		Data not collected
EN21 Total water discharge by quality and destination. (Core)		8	29	
EN22 Total weight of waste by type and disposal method. (Core)		8	29	
EN23 Total number and volume of significant spills. (core)		8	15	
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. (Additional)		7,8		Data not collected
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. (Additional)	6.5.4 6.5.6	7,8		Data not collected

Page reference: **Danfoss Annual Report 2011** | Corporate Citizenship Report 2011

	ISO 26000	GC principle	Page reference	Results/Comments
Products and Services				
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (Core)		8,9		Data not collected
EN27 Percentage of products sold and their packaging materials that are reclaimed by category. (core)		8,9		
Overholdelse af love, bestemmelser og standarder				
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. (Core)		8		No fines
Transport				
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. (Additional)		8		Data not collected
Overall				
EN30 Total environmental protection expenditures and investments by type. (Additional)		7,8		Data not collected

Page reference: **Danfoss Annual Report 2011** | Corporate Citizenship Report 2011