



Social Responsibility

Lodam report on
social responsibility
2012





Statement

For the past three years, Lodam has experienced unprecedented success. Revenue has more than doubled and the number of employees has increased by 50% in just one year. An important concern during these achievements, however, has been ensuring that growth takes place in a responsible manner.

As you will learn from this report, Lodam has always taken a very responsible and serious approach to running its business and to its surroundings, including the environment. Therefore, this first report on corporate social responsibility (CSR) is not packed with news, but merely outlines the efforts and results we have achieved so far.

In line with our focus on conducting our business responsibly, we joined the UN Global Compact initiative in March 2012. Joining the UN Global Compact is a commitment to the initiative's ten universal principles in the areas of human rights, labour, the environment and anti-corruption.

One of Lodam's goals is to become one of the Top 3 places to work in Denmark in 2013 – in the Danish "Great place to work" competition organised by the Great Place to Work® Institute. To achieve this, we focus strongly on our employees, and we are dedicated to this issue on a daily basis. One of Lodam's main values is having an inclusive work environment. That includes accommodating employees who need special employment conditions, and we assist people wanting to return to – or enter – the job market. Furthermore, we teach our employees about striking a healthy work-life balance.

Lodam develops and produces innovative and energy-saving electronic components and controls for cooling, heating and air handling. Our product solutions support our customers' goals of improving efficiency and reducing the environmental impact of their products.

Lodam's products are produced in Asia, the USA and Europe. As will appear from this report, Lodam's responsible approach is global, and we work closely with the individual production companies within the areas of working conditions, the environment and human rights.

This report reflects our efforts in the above areas. It also describes some of our goals for the next year. Among other things, we will focus on introducing and implementing Lodam's CSR policies in our supply chain.

We are proud to release Lodam's first report on corporate social responsibility. At Lodam we are well aware that this is the first step on a long journey to becoming even more socially responsible. It is an ongoing process, and with our annual CSR reports we invite all our stakeholders to follow our work, efforts and results.

Lodam Management

Kristian Strand
CEO

Henning Højberg Kristensen
CTO

Lodam's values

Professionalism

- a competent and reliable business partner which keeps its promises and delivers quality.

Inclusiveness

- individualism with respect for diversity, driven by humour and job happiness and preparedness for changes.

Good business acumen

- sound business practices in all daily decisions, both internally and externally.

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Kristian Strand, CEO



Henning Højberg Kristensen, CTO



Lodam in short:

- A Danish company owned by the German company BITZER.
- Lodam produces electronic control devices for OEM products within the HVAC&R* industry.
- Products are developed in-house and produced by global partners.
- Our export share is about 85%.

* Heating, Ventilation, Air Conditioning & Refrigeration



Lodam electronics

Lodam has extensive knowledge and know-how about developing, producing and implementing innovative and efficient electronic climate control solutions. Lodam's most important asset is its staff in the form of more than 70 dedicated employees who work either at our modern facilities at our headquarters in Sønderborg, Denmark, or at one of our site offices in Asia or Europe. Employee satisfaction is important to preserving an inspiring and creative environment and the commitment which is essential to securing the future development of innovative and energy-efficient solutions.

In 2007, Lodam became a member of the BITZER Group, one of the largest groups in the global refrigeration and air-conditioning industry. The extensive market access afforded by this move has strengthened Lodam's network and provided the company with the application knowledge needed to develop even more energy-efficient, reliable and innovative products.

Lodam's control solutions are important and reliable integrated parts of our partners' total systems – and help create a perfect climate for humans as well as optimised storage conditions for foods and other commodities.

Today, Lodam's innovative climate control solutions are used around the world, for instance in the following areas:

- System controllers
- Intelligent compressor electronics (ICE)
- Transport

Mission:

Energy efficiency through intelligent controls

Our mission is to be a leading global developer of energy-saving electronic controls for cooling, heating and air handling. We strive to offer innovative and cost-effective solutions, enabling our customers to consistently outperform their peers in energy efficiency.

Vision:

Our vision is to be the preferred company - in the eyes of our customers and employees

- Lodam wants to improve customer satisfaction, as measured in our annual surveys, by having a Net Promoter Score (NPS) of more than 25 in 2013.
- In 2013, Lodam wants to be a Top 5 supplier as evaluated by our customers.
- Lodam wants to be one of the Top 3 places to work in Denmark in 2013 – as measured by the Great Place to Work® Institute.

Values:

- Professionalism - a competent and reliable business partner which keeps its promises and delivers quality.
- Inclusiveness - individualism with respect for diversity, driven by humour and job happiness and preparedness for changes.
- Good business acumen - sound business practices in all daily decisions, both internally and externally.

Lodam and social responsibility

Lodam has always been a responsible company – in relation to our employees and our surroundings, and we are aware of the impact we have as a company both on the environment and on the communities of which we are members, locally and globally. Social responsibility has always been an integrated part of our daily operations – and it always will be.

We have now taken the logical step of including CSR in our strategy development and our communication to our stakeholders.

Consequently, we joined the UN Global Compact initiative in March 2012. The Global Compact covers:

- Human rights
- Labour
- Environment
- Anti-corruption

Ref. page 6.

Based on our core values, Lodam strives to act as a responsible company in all contexts.

Professionalism includes a responsibility for producing innovative electronic energy-saving climate solutions and for caring for the global environment.

Inclusiveness includes our social responsibilities for our employees as well as our local communities.

Good business acumen includes our responsibility to act in an ethical and responsible manner in our dealings with our business partners and their employees.

Lodam's CSR partnerships and networks:

- UN Global Compact, www.unglobalcompact.org
- Project Zero, www.projectzero.dk
- Carbon Disclosure Project, www.cdproject.net
- Great Place to Work® Institute, www.greatplacetowork.dk (in Danish)
- CO2 neutral websites, www.CO2neutralwebsite.com
- Cultural and sports sponsorships: "Kultur i Syd", Sønderborg Hus, Sønderjyske Elite Sport and Dybbøllhallen
- Member of SET (Sønderborg Erhvervs- og Turist-center), www.set-sonderborg.dk (in Danish)
- Cooperation agreements with University of Southern Denmark and Aalborg University
- Lean Energy, www.leanenergy.dk
- KVCA (The Danish Cooling Cluster)
- Member of Mechatronics Cluster Denmark, www.mechatronicscluster.com (in Danish)
- Member of Dansk Ventilation, www.danskventilation.dk (in Danish)
- Confederation of Danish Industry (Dansk Industri), www.di.dk
- Industrigruppen Sønderborg



UN Global Compact

The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Overall, the Global Compact pursues two complementary objectives:

1. Mainstreaming the ten principles in business activities around the world
2. Catalysing actions in support of broader UN goals, including the Millennium Development Goals.

The UN Global Compact incorporates a transparency and accountability policy known as the Communication on Progress (COP) policy. The annual posting of a COP is an important demonstration of a participant's commitment to the UN Global Compact and its principles. Participating companies are required to comply with this policy.

In summary, the UN Global Compact exists to assist the private sector in managing increasingly complex risks and opportunities in the environmental, social and governance realms, seeking to embed markets and societies with universal principles and values for the benefit of all.

Source: www.unglobalcompact.org

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

The ten principles of the United Nations Global Compact:

Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour

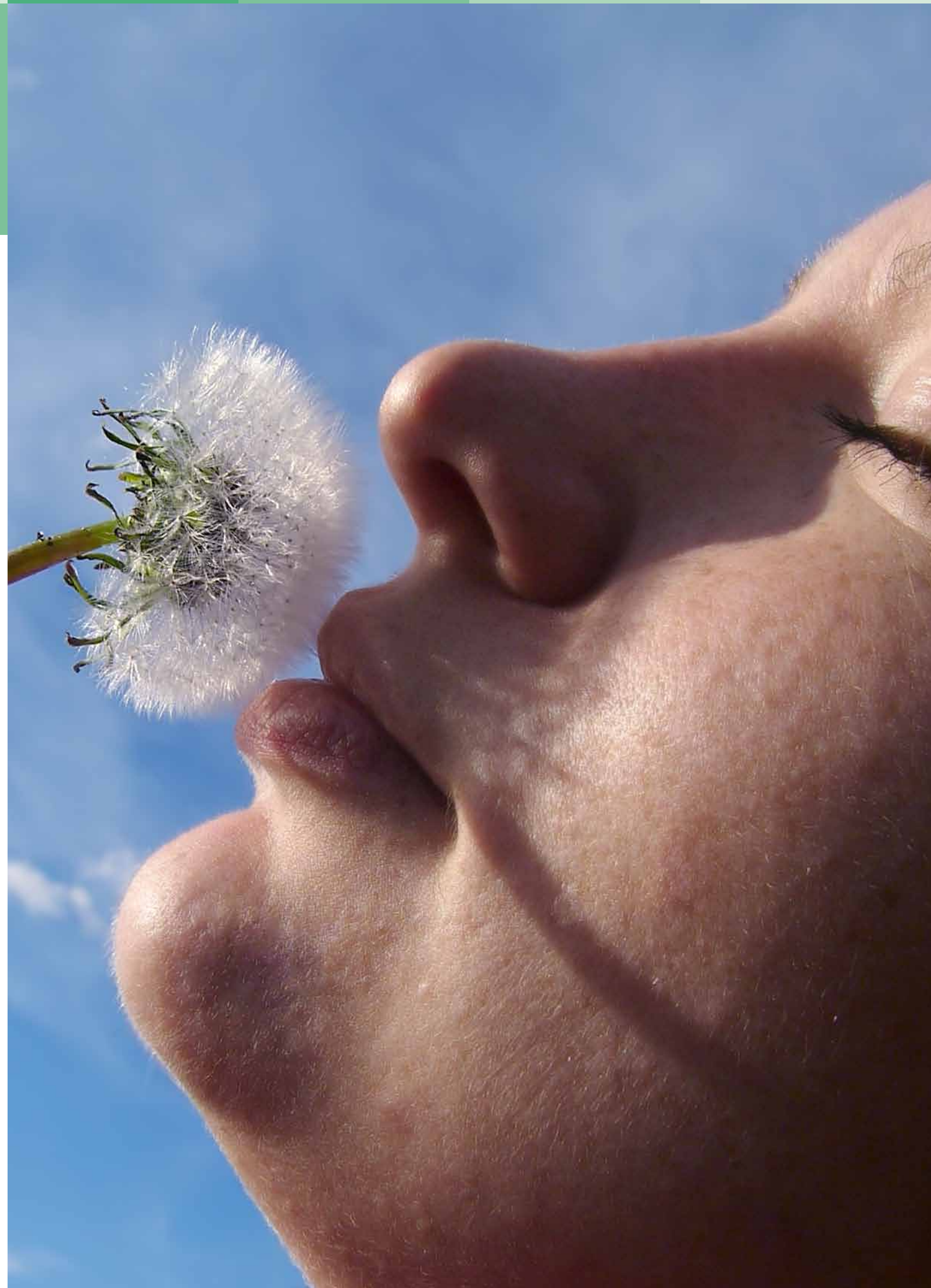
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

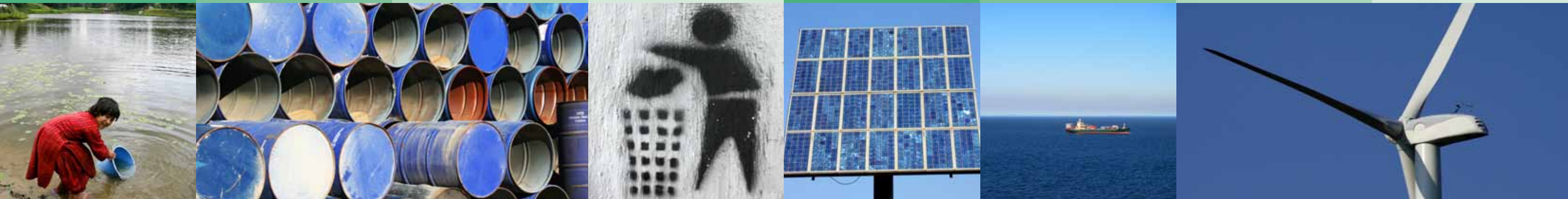
Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.





Environmental responsibility

Lodam has two ways of influencing the environment, locally and globally.

One area is our workplaces, where we develop, test and produce our products and services, and where a lot of daily activities take place. We use electricity for lighting and running computers, we use water for making coffee and cleaning, we use natural gas for heating etc.

The other area is our products. The purpose of our products is to reduce energy consumption for end-users, while at the same time securing a perfect climate for humans and optimised storage conditions for foods and commodities.

At Lodam, we aim to act responsibly in both these areas.

In this section, we describe a number of activities which influence the local environment, i.e. our headquarters in Sønderborg, Denmark. On page 12 you can read about our products and how they save energy.

Environmental inspection

The local Danish authorities inspect the local companies to ensure that they comply with environmental regulations governing the minimisation of pollution. Due to the nature of Lodam's business, inspections are only carried out every three years.

November 2008: 1 remark (paper sorting handled incorrectly).

March 2012: 0 remarks

The next inspection is due to take place in 2015.

Packaging

When it comes to packaging, we focus on the environment in many ways, for instance by not using any unnecessary material, by minimising the use of plastics and by using wooden pallets.

The fill packaging material that we use is biodegradable, and we have used it for about six years. It is, of course, antistatic so as to protect our products.

When we receive parts and components from suppliers packed in bubble wrap, we reuse the packaging. Any plastic wrapping to be discarded is disposed of in an environmentally correct manner. If articles we receive from partners are packed on plastic pallets, we make sure that the pallets are returned for reuse.

Furthermore, all cardboard packaging materials are reused, if possible.

Waste

We reduce the environmental impact of Lodam's waste by sorting, recycling and disposing of waste in an environmentally correct manner.

Waste includes paper, cardboard, plastic, glass, batteries etc. However, also metal and plastic from PCBs are sorted. All hazardous waste is disposed of in a correct manner.

All employees are instructed in the various sorting and handling procedures.

Transport/shipping

This is an area with scope for improvement. Due to the financial crisis and a shortage of components, we have in some cases been forced to use air freight.

However, we are constantly trying to optimise our transport activities. For instance, we bundle shipments and make them larger. We try to avoid repacking and transshipments, and we leave items at the production sites until they are to be used (managed warehouse). Also, we make bulk deliveries and try to use only the packaging which is necessary.

Noise

Lodam complies with all noise regulations. Most of our facilities consist of offices, and at two of our locations, in particular, the noise level can be very high. At one of these locations, a laboratory, noise measuring equipment has been installed. Next to the measuring equipment is a box of earplugs, which the employees are required to use whenever the noise level is too high. At a second of our locations, a large motor and a generator, which we use for testing our products, are sited, and hearing protectors are available and must be worn at all times near the motor. The motor and the generator are located in a basement at Lodam. Originally, the motor and the generator were meant to be placed outside the building, but out of consideration for the neighbours, Lodam chose to move them to the basement.

Acoustic panels have been mounted on the walls in offices where coustic environment needed to be improved, and phone culture procedures have been introduced.

Air and heating

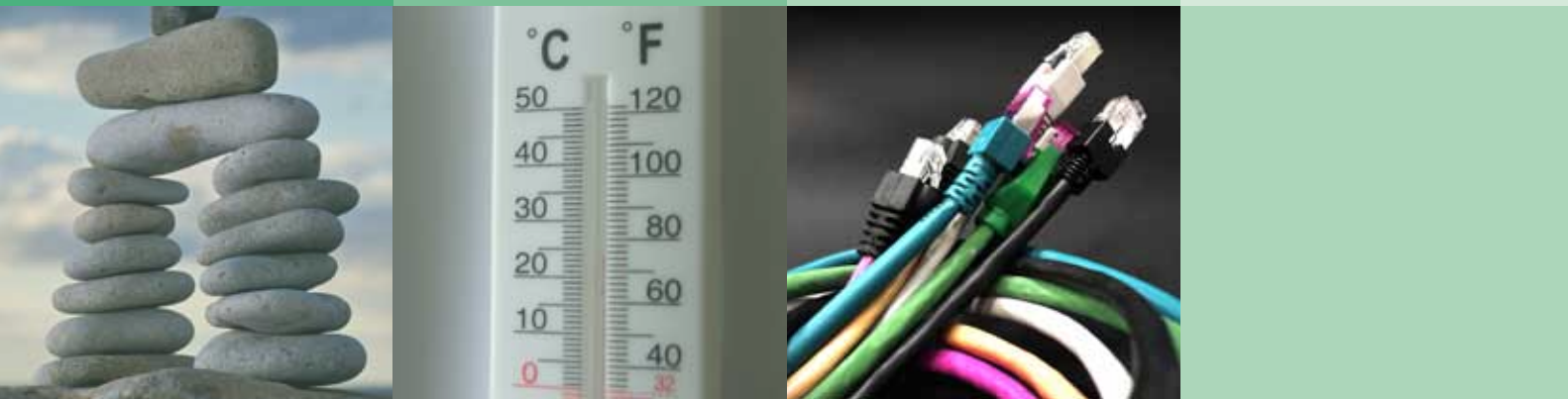
The indoor climate is very good at Lodam. We have four air-handling and ventilation units as well as heat exchangers and cooling for all installations.

The entire building is heated by water-borne floor heating. The heat comes from our own heat pumps (ground-to-water), which we have developed and produced ourselves. They produce heat with a COP (coefficient of performance) optimisation of approx. 4, which is very good. When more capacity is required to heat the facilities (e.g. in winter), we supplement with natural gas.

Generally speaking, we have created the optimum conditions for using as little energy as possible, just like the products we develop for our customers.

CO2-neutral website

Lodam's website, www.lodam.com, is CO2-neutral. Lodam participates in the climate initiative "CO2-neutral websites". The carbon emissions from both the website and the users of the website have been neutralised by the development of new renewable energy sources, various CO2-reducing projects and by the purchase of certified CO2 offsets, which are cleared by the relevant government institutions. Ref. www.CO2neutralwebsite.com.



Energy consumption

The Lodam headquarters actually consist of several buildings as the facilities have been extended in step with the company's growth over the years. One 400 square metre extension was built in 2008 according to energy category 1 principles (which is the best category). It has intelligent light control in all rooms, water-borne floor heating, a ventilation system based on heat recovery and a glass facade with low-energy triple glazing. In 2010, approx. 1,000 square metres of production area were added, also constructed with a strong focus on energy conservation and a healthy indoor climate.

As part of our company culture, we take a commonsensical approach to energy consumption, i.e. we turn off the lights when leaving a room, we do not leave the water running unnecessarily etc. Most of the equipment used for developing our products switches off automatically or goes on standby.

ProjectZero

Lodam participates in ProjectZero. ProjectZero/Bright Green Business is the vision for turning Sønderborg, Denmark, into a vibrant ZERO-carbon city by year 2029, creating sustainable growth, CleanTech competencies/clusters and many new jobs. Ref. www.projectzero.dk.

The table below shows our energy consumption for the past three years relative to floor area and number of employees.

	2009	2010	2011
kWh per m ²	110	152	127
kWh per employee	5601	6801	5485

Notes: In 2010, we extended our facilities with approx. 1,000 square metres. During the period of construction, our ground heat system was switched off.

Below we show our CO2 emissions, also relative to floor area and number of employees.

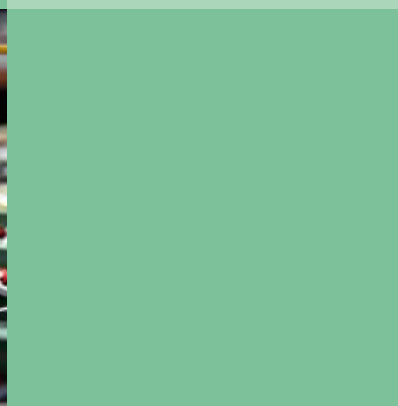
	2009	2010	2011
Tonnes of CO2 per m ²	0.040	0.043	0.050
Tonnes of CO2 per employee	2.043	1.921	2.167

Notes: Some of our energy consumption relates to natural gas, which is weighted more highly in the CO2 emission calculations. The above CO2 calculations are made via a tool on www.klima-kompasset.dk.

Our goals for 2012 are to reduce the process flow as much as possible, among other things by reusing energy from our product tests, and to split the measuring of our energy consumption into energy used for product testing and energy for our ordinary facilities and activities.

Furthermore, we intend to plan further initiatives aimed at protecting the environment at the Lodam headquarters in Sønderborg.





Lodam's energy-efficient products

Lodam develops innovative control solutions for climate system applications. Today, the solutions are used all around the world, for instance in the following areas:

System controllers

- Heat pumps
- Condensing units
- Air-handling units

Intelligent compressor electronics (ICE)

- Compressor protection
- Inverters

Transport

- Reefer containers
- Truck & Trailer Units

Heat pumps

Lodam heat pump controllers ensure COP (coefficient of performance) optimisation of individual systems and add knowledge about additional aspects such as anti-legionella control of domestic hot water. The controllers can be used in both domestic and industrial heat pumps.

Condensing units

Lodam condensing control solutions are used for climate control in condensing units for supermarkets/convenient stores, domestic and cooling storage facilities.

Air-handling units

Lodam air-handling control solution is key to creating perfect comfort and climate for people – e.g. in homes, industrial buildings and schools.

Inverters

Lodam's inverter solution electronically controls compressor capacity to match actual cooling demands by changing the compressor speed. The result is better part-load performance, thus saving energy and cutting CO2 emissions.

Accessories

Multiple accessories are available for all Lodam controllers to add extra value to the solutions: innovative and user-friendly user panels with colour displays, remote communication devices, sensors and data loggers, web modules and Windows-based multi-tools for communicating with the controllers.

Condensing unit controller

Refrigerated display cabinets in supermarkets using less energy

With the Lodam condensing unit controller, our customers are in total control of their condensing units delivering cooling to one or more evaporators – thereby optimising their systems to save both energy and money. The condensing unit controller can be tailored to any condensing unit.

The Lodam condensing unit controller solution is sold as a kit, containing the PCB, a control display and the necessary sensors. The Lodam controller is an important part of our customers' condensing units, which are typically installed out-of-doors, e.g. outside a supermarket, and control the temperature in the refrigerated display cabinets inside the supermarkets.

How does the Lodam condensing unit controller save energy compared to other products?

- The unit cuts energy consumption and costs through intelligent capacity control using a frequency inverter. It ensures that the temperature is at the specified level. This can be done very accurately.
- The Lodam controller controls the speed of the fans that condense the refrigerant. This ensures that the condensing pressure is exactly at the necessary level, also taking the outside temperature into consideration.
- Also, it is possible to use the heat for room heating.

Furthermore, as the condensing unit runs more stably with a Lodam controller, thus ensuring a more constant temperature, the quality of the products in the refrigerated display cabinet is much higher than without a stable temperature. Another benefit is less food waste.



Case:

Test of BITZER cooling technology vs conventional technology

The purpose of the test was to show that using BITZER's cooling technology, which includes Lodam controllers, saves energy and thus money, making up for the slightly higher initial investment costs.

The test was conducted in 2011 in Thailand. Tesco, the global supermarket chain, was due to open two new express stores situated 5-6 km apart, on the outskirts of Bangkok. The stores are completely identical. One store was equipped with BITZER cooling technology, while the other was fitted with conventional cooling equipment supplied by one of our colleagues/competitors. Energy consumption was measured daily for a period of one week.

The test showed that the BITZER technology reduced energy consumption by more than 25%. Furthermore, it proved that the BITZER technology maintained the exact set point temperature in all counters at all measuring times.

Another benefit of the BITZER cooling solution is that temperatures remained stable, which prolongs food shelf-life. The solution takes up less space because each unit has more capacity, which means fewer units and less maintenance. Furthermore, they make less noise, and it is even possible to control the noise level, e.g. low noise during the night out of consideration for neighbours.

However, the test also made it clear to BITZER and Lodam that the initial cost still carries more weight in some markets than saving energy and protecting the environment in the longer term. However, this is only the case in certain parts of the world, and Lodam devotes considerable efforts to convincing buyers in these areas that saving energy is important.

Heat pump controller

Controlling domestic hot water and heating

Lodam's heat pump controller makes it possible to gain total control of domestic hot water and heating for domestic comfort. The optimised control ensures low energy consumption and is combined with a user panel for easy operation.

Furthermore, you can remotely control and monitor the heat pump via the Internet, and download a data log for service and diagnostic purposes.

How does the Lodam heat pump controller save energy compared to other products?

- The unit cuts energy consumption and costs through intelligent capacity control via the frequency inverter.
- It includes intelligent defrost scheduling, which saves energy and ensures low capacity waste.
- Pre-programmed outside temperature compensation curves adapt to the fastest control/better comfort.
- The controller can be used for heat pumps with air or water/brine as source. Supplementary heat sourcing from solar panels or electric heaters is possible.



Lodam Star Cool Controller

Reefer container operators depend on reliable and economical equipment.

Maersk Container Industry produces the Star Cool reefer container, which features a controller developed by Lodam. The Star Cool reefer container controller meets the increasing demands for high quality and low operating costs, easy and user-friendly functionality and optimised serviceability. In fact, customers using Star Cool reefer containers have cut operating costs and energy consumption by an average of 30%, but savings of up to 50% are possible compared to using conventional reefer containers.

The Star Cool controller features a unique humidity control system, which minimises weight loss and guarantees even higher product quality upon delivery. Furthermore, the Star Cool controller sets new standards for user-friendliness and safety.

Lodam's cooling control solutions cater for a range of applications:

- Reefer containers
- Truck & Trailer Units

Case: Tests of Star Cool reefer with Lodam controller

When food is transported over long distances, especially delicate food such as fruit, the conditions inside the reefer container are very important to ensuring the delivery of fresh food to consumers. However, protecting the environment and saving energy have become important issues as well.

The feedback from the reefer container market is that using Star Cool reefer containers instead of reefer containers with conventional technology reduces the energy consumption by about 30-50%.

Another way of illustrating the impact is that, given the time an average container spends travelling, each reefer container saves 1 tonne of CO2 emissions a year. In Q1 2012, about 100,000 reefer containers fitted with Lodam controller software are in operation.

Note: The Star Cool reefer containers have many more eco-friendly advantages over and above the cooling system. For instance, the walls of the Star Cool reefer containers are insulated with SuPoTec® foam, which is an eco-friendly insulation solution that is virtually ozone-neutral. Ref. www.starcool.dk.





People responsibility

Lodam wants to be an outstanding workplace. Consequently, Lodam is continuously launching activities aimed at improving both the physical and the psychological work environment.

Our vision is to be one of the Top 3 places to work in Denmark in 2013 – as measured by the Great Place to Work® Institute.

Lodam is already known both locally and nationally for being a unique and outstanding workplace. As a natural and integrated part of their daily work, all employees assume responsibility for their own work environment and that of their colleagues, thus contributing to the shared experience of Lodam being an outstanding place to work.

In this section, we describe some of the many activities we have initiated to get to where we are today.

Lodam's values

Our values, which we have formulated and lived for many years, and which influence everything we do and all the decisions we make, are:

- Professionalism - a competent and reliable business partner which keeps its promises and delivers quality.
- Inclusiveness - individualism with respect for diversity, driven by humour and job happiness and preparedness for changes.
- Good business acumen - sound business practices in all daily decisions, both internally and externally.

The Pole Position programme

Lodam is actively engaged in activities and initiatives aimed at keeping our values alive. An internal project known as the Pole Position programme purports to initiate activities which will help us reach our goal (of being one of the Top 3 places to work in Denmark in 2013) and integrate our values even more deeply.

The Pole Position project is an HR programme which supports Lodam as an outstanding workplace through the launch of ongoing activities targeted at the physical and psychological work environments.

Activities include:

- Well-being measurements and benchmarking
- Dialogue-based and committed project plans
- Employee development and training (via Lodam Academy, an internal training programme)
- Cultural influence through special programmes and activities regarding meeting culture, high-performance teams etc.
- Inspiring physical environment
- Employee policies and values
- Leadership training and development
- Social and cultural activities, where employees and sometimes also their families meet for informal get-togethers, across organisational boundaries and despite age differences and different educational backgrounds etc.

An inclusive work environment

Inclusiveness is one of our values; this also means that we accommodate employees who need special employment conditions, and we assist people wanting to return to – or enter – the job market.

Examples of special employment arrangements are:

- Flex-job employment
- Sheltered employment
- Employees from minority groups, with e.g. language difficulties
- Work placements and similar forms of employment
- Employment subject to salary refunds
- Trainees etc.
- Senior employment terms

Having an inclusive work environment means that each and every employee employed under one of the above arrangements is regarded as a member of the Lodam team. When asked directly or as part of one of the well-being surveys conducted, they all feel just as equal, important and included as their colleagues.

A few examples of inclusiveness:

- A young man who was tired of school was working in production at Lodam and became interested in the world of electronics. He was encouraged to finish secondary school, while continuing to work at Lodam in his spare time, and having a mentor at Lodam. He will finish his exams in 2012.
- A young jobless man on sick pay with back problems was offered a part-time training job at Lodam. After four months he took up a regular job as a technician at Lodam, working full-time.
- A woman had been suffering from stress for almost a year and was dismissed from her job with another company while on sick leave. She started a training job at Lodam working 10 hours a week. Her weekly working hours were gradually upped, and after six months she took up a regular job at Lodam, working 30 hours a week.
- A former manager from another company in the local area decided to retire. However, he became bored and in need of challenges. He now has a part-time job at Lodam as a building inspector.

Lodam's inclusive approach is also evident in the high number of students who do their final projects and theses at various levels at Lodam, and in the number of trainees that Lodam takes on. Some are trainees for a few weeks or months, others for a couple of years.



Work-life balance

Work-life balance – striking a balance between working life, private life, family life, hobbies and other activities – is another focus area in the Pole Position programme. It is the firm belief of Lodam that employees with a good work-life balance work better, are happier and contribute more to our values. Therefore, Lodam has made a number of tools available to help employees get their work-life balance right. In cases where employees are knocked out of balance, for whatever reason, Lodam is ready to offer help and individual assistance.

At Lodam work-life balance is about

- Both the employee and Lodam being flexible
- Flexible working hours and focused working periods
- Number of tasks to match the available time
- Family conditions, e.g. being a parent
- Special hobbies and a chance to spend time on them
- Holidays and leisure time
- Health

Some of the more specific tools include a work-life balance course for employees and their partners as well as an annual personal planning course.

Furthermore, Lodam makes a number of benefits available to its employees. These benefits are not all that different from the benefits offered by many other companies. However, what is special at Lodam

is our continued focus on developing and introducing new benefits which are relevant to the needs of our employees and their work-life balance. The general response from Lodam's employees is that they feel appreciated and cared about.

Management and leadership

None of the above would be possible without a keen focus on the part of the management and the various levels of managers at Lodam.

From the Great Place to Work® survey, it is clear that the employees have great faith and confidence in their superiors.

Another very important focus area at Lodam is the continued development and training of managers and helping them to realise their leadership potential. Particular focus is on communication and situational leadership.

Professional opportunities at Lodam

Offering our employees challenges and opportunities for personal as well as professional growth is important for Lodam and goes hand in hand with our values. Consequently, we give priority to training and education and offering a variety of opportunities.

As mentioned above, Lodam has an internal training programme known as the Lodam Academy. Under this programme, all employees have a personal development plan. It is a triennial plan, which comprises personal and professional development, training and educational activities. The plans are evaluated and updated every year.

Lodam also offers other challenging opportunities for its employees, for example

- Working abroad for a time
- Changing positions between departments
- Team leader or manager appointments

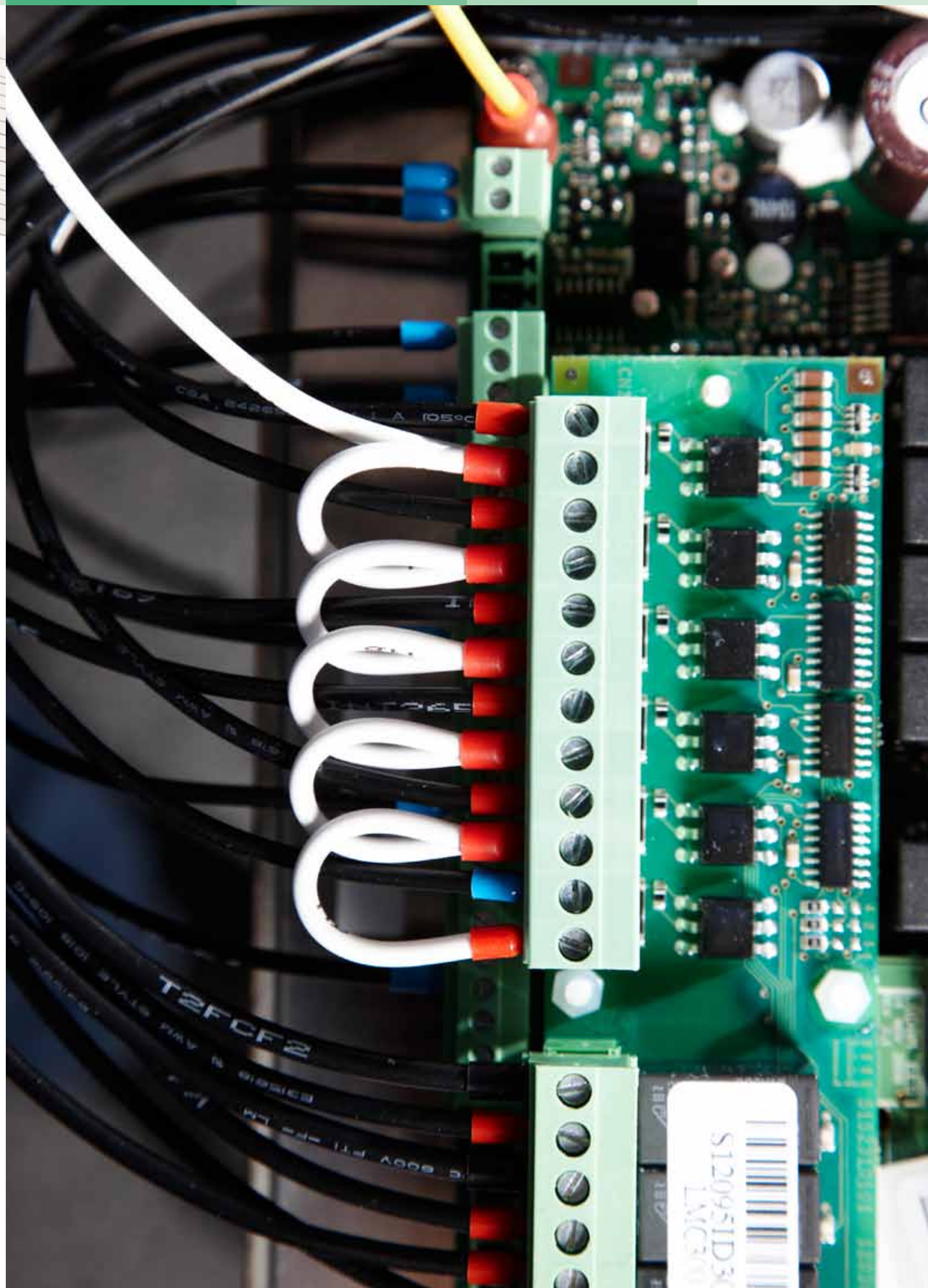
Physical work environment

A number of specific measures are designed to ensure an attractive physical work environment at Lodam.

In addition to the more obvious elements, such as the right tools, a comfortable temperature, sufficient room etc., Lodam maintains high safety standards by having procedures, signs, instructions etc. in place. In many areas we exceed the statutory requirements.

Furthermore, Lodam offers health insurance to all employees with health insurance cover for partners and/or children as an optional extra. All employees and their family are covered by travel insurance.

The physical health of our employees is influenced by the psychological work environment as well as other factors, for example in connection with stress. Lodam has an emergency procedure which is followed if employees find themselves in need of immediate assistance, for example from a psychologist, who can be called in at very short notice.



People responsibility goals

The following goals are outlined to show the Pole Position programme's capability for strengthening employee well-being, motivation and satisfaction, and thus Lodam's ability to retain its employees and recruit new employees.

Description	Goals 2012	Comments
No. of employees 1 January 2012: 65	An increase of 25%	Expected increase, as at 1 January 2013.
Staff turnover	Below 3%	Measured as the number of retired employees compared to the average number of employees.
Sick leave	Not to exceed 1.8%	This goal applies for 2012 and beyond.
No. of physical injuries	0	Maximum action will be taken to prevent the injuries from happening again.
No. of psychological injuries, e.g. stress	0	Maximum action will be taken to prevent the injuries from happening again.

Below are three goals which relate specifically to our 2013 goal of being one of the Top 3 places to work in Denmark in 2013 – as measured by the Great Place to Work® Institute.

Lodam will improve in all the areas of the Great Place to Work® survey, but the three goals set out below have our specific attention.

Description	Goals 2013	Comments
Significantly improve the management's skills to manage and delegate the work	Above 90%	KPIs have been made for each department for 2012 as well.
Significantly improve the employees' experience of team and family spirit	Above 90%	KPIs have been made for each department for 2012 as well.
Significantly improve the employees' experience that their colleagues work just as hard as they do.	Above 90%	KPIs have been made for each department for 2012 as well.



Supplier responsibility

Lodam's products are produced by skilled manufacturers in Europe, Asia and the USA. Our suppliers are manufacturers of electronic products and have been carefully selected based on quality, conformity with specifications and the like. However, the working conditions for their workers are also an aspect considered by Lodam. Our goal is that the work must be performed under reasonable and orderly working conditions considering the country where the supplier is located. We respect local and cultural conditions, but the working conditions have to be acceptable. For some suppliers, this has resulted in working conditions of a higher standard than those offered by other suppliers in the same area.

We visit our main suppliers several times a year. Sometimes the visits are scheduled, sometimes unannounced. The purpose of the visits is to inspect working conditions, including:

- Lighting and workplace conditions (tables, chairs, stools, working postures etc.)
- Levels of monotonous work
- Exhaustion equipment
- Safety equipment
- Child labour
- Noise and hearing protectors
- Varnishing cabins (which we have specifically required)
- The location of the soldering
- Canteen facilities
- Sanitary arrangements
- Dormers and residential quarters
- Leisure activities and recreational conditions

With some suppliers Lodam has taken action in relation to some of the working conditions, such as the lighting and safety standards.

We also check pay levels (ensuring that the workers are not paid less than the minimum wage), and we look into staff turnover levels.

So far, we have not checked and documented the above systematically. Our goal for 2012 is to incorporate the checklist into our quality assurance system and include the visits in our auditing plans. Furthermore, targets will be specified for each area.

Another area we want to look further into is the use of solvents, the discharge of waste water and the disposal of waste in general.

Supplier code of conduct

Lodam has prepared a supplier code of conduct that is to be implemented during 2012. It is to be signed and complied with by all our main suppliers during 2012. It will also become part of our general terms of sale and delivery.

As Lodam strives to select suppliers who are committed to maintaining high ethical standards, we expect our suppliers to share the fundamental principles of the UN Global Compact initiative, whether signatories or not.

The supplier code of conduct comprises the following specific areas:

- Remuneration and employment conditions
- Working hours
- Freedom of association and the right to collective bargaining
- Discrimination
- Harassment and disciplinary measures
- Child labour
- Forced labour
- Health and safety
- Environment
- Corruption and bribery

Furthermore, our suppliers are required to comply with all relevant national legislation and regulations.

We pay a great deal of attention to dialogue and communicating with our suppliers and to building relations. We hope that by placing these requirements upon our suppliers, they will become better suppliers, more attractive workplaces and ultimately contribute to improving the working conditions in general for other companies in the local areas.

The specific requirements set out in the code of conduct are described on the following pages.



Supplier code of conduct

Specific requirements

Remuneration and employment conditions

We expect the supplier to comply with all legislation and regulations governing pay and working hours, including those pertaining to minimum pay, overtime pay, sick leave, piece rates and other elements of compensation.

Working hours

We expect the supplier not to require employees to work more than 60 hours per week including overtime, or more than the limits on regular and overtime hours allowed by local law, whichever is the lower. Workers must be entitled to at least one non-working day in every seven-day period.

Particular employees with unusual working conditions may be exempted from this general requirement when covered by specific national or international legislation; however, in the course of 12 weeks no employee must be required to work more than an average of 60 hours per week, including overtime.

Freedom of association and right to collective bargaining

We expect the supplier not to prevent employees and other workers from associating freely with any lawful workers' association or collective bargaining association of their choice.

Discrimination

We expect the supplier's hiring and employment practices (including promotion, training and rewards) not to be discriminatory on the grounds of race, colour, ancestry, religion, gender, gender identity or expression, sexual orientation, age, physical or mental disability, health condition, pregnancy, political opinion or affiliation, national, social or ethnic origin, union membership, marital status, citizenship status or veteran status.

Harassment and disciplinary measures

We expect the supplier not to use or permit the use of corporal punishment or other forms of mental or physical coercion, disciplinary actions or sexual harassment.

Child labour

We expect the supplier to ensure that no person is employed at an age younger than 15 (or 14 where the law of the country permits) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

The supplier must protect young workers of legal working age, up to the age of 18, from any type of employment or work which, by its nature or the circumstances in which it is carried out, is likely to jeopardize their health, safety or moral.

If a child is found working, the supplier must act in the best interest of the child, and any measures taken must aim to improve and not worsen the child's situation.

Forced labour

Forced, bonded or indentured labour or involuntary prison labour is not to be used.

Health and safety

We expect the supplier to provide safe and healthy working conditions and take appropriate precautionary measures to protect employees from work-related hazards and anticipated dangers in the workplace.

The supplier must comply with all applicable local legislation and regulations to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of the employer's facilities.

We expect the supplier to continuously improve working conditions and reduce workplace-related risks and hazards by e.g. setting targets and conducting appropriate training.

Environment

We expect the supplier to meet all relevant local and national environmental regulations and to strive to minimise damaging effects to the environment.

Corruption and bribery

We expect the highest standards of integrity in all business interactions. The supplier must not engage in any form of corrupt practices, including extortion, fraud or bribery, whether direct or indirect.



Case: Floods in Thailand 2011

Severe flooding occurred during the 2011 monsoon season in Thailand. Beginning at the end of July and triggered by the landfall of Tropical Storm Nock-ten, flooding spread through the provinces of northern, north-eastern and central Thailand along the Mekong and Chao Phraya river basins. In October, floodwaters reached the mouth of the Chao Phraya and inundated parts of the capital city of Bangkok. Flooding persisted in some areas until mid-January 2012.

The flooding also affected Lodam's suppliers and the workers in the Pathum Thani area. Workers were unable to get to work, and others were unable to leave the plant. The floods not only influence the physical existence, but also the economic existence of the people in the affected areas.

Lodam did its best to help the people at the suppliers' plants. We were present ourselves and helped with all kinds of practical things at the works, for example ensuring the supply of food and water for the people stuck at the plants. Also, we made considerable donations to the suppliers' workers funds to help the workers resume their normal lives.

During the floods, Lodam had to move the affected production to other suppliers in order to meet our contractual obligations towards our customers. However, when our usual suppliers were able to resume production, we immediately returned with orders, thus preventing the loss of jobs due to the floods.



Anti-corruption

Corruption is defined by Transparency International as “the abuse of entrusted power for private gain.”

Lodam strives to maintain strong ethics standards and to be a company of good standing and integrity. Lodam’s anti-corruption policy is based on the UN’s Convention against Corruption as well as our obligations according to the tenth principle of the UN Global Compact initiative: Businesses should work against corruption in all its forms, including extortion and bribery.

With the supplier code of conduct (ref. pages 26-27), with which our suppliers have to comply, we ensure that our closest external partners work against corruption as well.

From From the Supplier Code of Conduct:
 “Corruption and bribery.
 We expect the highest standards of integrity in all business interactions. The supplier must not engage in any form of corrupt practices, including extortion, fraud or bribery, whether direct or indirect.”

Furthermore, we include a clause in our suppliers’ contracts which further commits our suppliers to working against corruption, as the anti-corruption policy also applies to our suppliers’ partners.

Our internal policy regarding gifts is as follows:
 Gifts to and from external partners must respect a reasonability principle, where they do not function as a means of persuasion for someone to do something which is dishonest, illegal or represents a breach of confidence.
 Gifts from Lodam, including business partner care, are thus based on the reasonability principle. We do not give individual Christmas gifts, but we may give gifts to show our appreciation of special efforts, also based on the reasonability principle. Moreover, we prefer to give gifts to a group of people instead of just one person (for instance to an entire department, and not only the departmental manager).
 The gifts that Lodam or a Lodam employee may receive are accepted only if they comply with the reasonability principle; if not, they are returned. Furthermore, all the gifts received are donated to Lodam’s Christmas lottery, in which all employees participate.

Lodam has never experienced any incidents of corruption. However, a goal for 2012 is to formally register incidents, if any, and to instruct employees at Lodam of our policies in this area. General instructions will be issued to all employees once a year, and special instructions will be issued to employees for whom this may be particularly relevant, i.e. sales managers, purchasing officers and others with a lot of external contacts.

Final words and facts

During 2012, Lodam will draw up a number of CSR goals that are both quantifiable and relevant. Some of these goals have already been introduced in this report.

We would also like to stress that we will do our best to ensure compliance with the requirements which our suppliers are asked to meet, but that we cannot guarantee such compliance. We will visit and audit our suppliers, and conduct both scheduled and un-announced audits. And, as we have done so far, we will help our suppliers to comply with the requirements.

One important target for 2012 is that all Lodam employees will be informed about our CSR activities, targets and policies. The level of awareness will be measured – as part of our employee satisfaction survey.

Partnership project
 Another initiative that we are currently working on and planning to accomplish in 2012/13 is the establishment of a partnership project with a partner that has activities in the areas of the world where Lodam is present.
 The best way for Lodam to be socially responsible is to focus on our core business – of developing and producing energy-efficient products. By supporting a partner with a sponsorship, we will be able to ensure professional assistance in areas outside Lodam’s normal working sphere. It is a condition that the partner’s activities adhere to the UN Global Compact principles.

Facts:
 Date of issue of this communication on progress (COP): 10 May 2012
 Company name and address:
 Lodam electronics a/s
 Kærvej 77
 DK-6400 Sønderborg
 VAT/CVR no.: DK21340006
 Bank: Sydbank A/S, CVR no.: DK12626509
 No. of employees on date of issue: 76
 Management:
 Kristian Strand, CEO
 Henning H. Kristensen, CTO
 Board of Directors:
 Peter Schaufler
 Christian Wahlers
 Michael Bauer
 Rainer Grosse-Kracht
 Jens Andersen
 Date of signing the UN Global Compact:
 13 March 2012
 This report has been printed using environmentally friendly ink on FSC certified paper in a limited number of copies. Ref. www.fsc.org.



Our goals and actions

2012 actions (May 2012 - May 2013) (The four columns on the right show the UN Global Compact areas to which the individual activities relate)	Human rights	Labour	Environment	Anti-corruption
Introducing and implementing Lodam's CSR policies within our supply chain: a. Supplier contract with code of conduct to be signed by all main suppliers. b. Include the supplier code of conduct in our general terms of sale and delivery.				
Incorporating CSR in relation to our suppliers into our quality assurance system: a. Incorporate the checklist regarding areas to evaluate at our suppliers' facilities, including both announced and unannounced visits in the auditing plans. b. Specify targets/initiatives within every area of the checklist.				
Initiatives within the areas of use of solvents, discharge of waste water and disposal of waste in general at our suppliers' production facilities.				
Prepare plan for further initiatives within the area of environmental protection at the headquarters in Sønderborg.				
Communication of Lodam's anti-corruption policies: a. An annual general instruction to all employees. b. Special annual instructions to employees with considerable external contacts (sales managers, purchasing officers etc.). c. Registration of incidents of corruption, if any.				
Energy consumption goals: a. Reduce the process flow as much as possible, e.g. by reusing energy from product tests. b. Split the measuring of energy consumption into energy used for testing of our products and energy for our ordinary facilities and activities.				
Look for a partnership project with an organisation that works with the UN GLoal Compact principles in one or more areas where our main suppliers are situated.				

2012 actions (May 2012 - May 2013) (The four columns on the right show the UN Global Compact areas to which the individual activities relate)	Human rights	Labour	Environment	Anti-corruption
Awareness and implementation of Lodam's CSR activities and policies by Lodam employees. a. Measured as part of employee satisfaction surveys (Great Place to Work®). b. Information (via information meetings, intranet etc.).				
No. of employees: Expected increase of 25% (Jan 1, 2012 to Jan 1, 2013).				
Staff turnover below 3%. (Measured as the number of retired employees relative to the average number of employees.)				
Sick leave not to exceed 1.8%. This goal applies for 2012 and beyond.				
No cases of physical injuries. (In case of injury, maximum action will be taken to prevent the injury from happening again.)				
No cases of psychological injury, eg. stress. (In case of an injury maximum action will be taken to prevent the injury from happening again.)				
Significantly improve the management's skills to manage and delegate work: Above 90% (measured by Great Place to Work® Institute in Denmark).				
Significantly improve the employees' experience of team and family spirit: Above 90% (measured by Great Place to Work® Institute in Denmark).				
Significantly improve the employees' experience that their colleagues work just as hard as they do: Above 90% (measured by Great Place to Work® Institute in Denmark).				



2013 goals (and beyond)	Human rights	Labour	Environment	Anti-corruption
Our vision is to be the preferred company - in the eyes of our customers and employees:				
- Lodam wants to improve customer satisfaction, as measured in our annual surveys, by having a Net Promoter Score (NPS) of more than 25 in 2013.				
- In 2013, Lodam wants to be a Top 5 supplier as evaluated by our customers.				
- Lodam wants to be one of the Top 3 places to work in Denmark in 2013 – as measured by the Great Place to Work® Institute.				





Lodam electronics

– *Efficient energy control for better living*

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