

MAKING MODERN LIVING POSSIBLE

Danfoss



Corporate Citizenship Report 2008



United Nations
Global Compact Office

Danfoss A/S

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Statement of continued support for the United Nation's Global Compact Initiative

Danfoss is a global company, present in a large number of countries with many different cultures. Because of this, it is vital that the company deals with the challenges that arise locally.

Danfoss therefore aims to actively contribute to a global, sustainable development where social responsibility and a high concern for people and the environment go hand in hand with sound business development.

Danfoss' overriding goal within Corporate Citizenship is to "keep our own house in order". For employees, this means they have an attractive workplace and a healthy working environment. Regarding the environment, this means Danfoss products contribute to energy savings, and the environmental impact of their production is constantly being reduced.

Since Danfoss joined the UN Global Compact in October 2002 it has become a part of our commitment to the UN Global Compact to make every effort to ensure that the ten principles are an integral part of our business strategy. Thus, the principles are used to structure our policies on environmental responsibility and social responsibility. Furthermore, the tenth principle has been a driver for our work against corruption and bribery.

Being a signatory to Caring for Climate, Danfoss aims to contribute as much as possible to global efforts to reduce CO2 emissions from energy-consuming processes and systems.

In 2008, the Danfoss Group began the process of setting ambitious targets for the development of energy consumption and the emission of greenhouse gases. At the beginning of 2009, the work resulted in a climate strategy approved by the top management.

Danfoss' Communication on Progress consists of Danfoss' Corporate Citizenship Report, which is an integrated part of the Danfoss Annual Report 2008. The report describes the initiatives Danfoss has taken during the last year and the results of our work with Global Compact, Corporate Social Responsibility and Climate.

The Danfoss Group continues to support the UN Global Compact Initiative, its principles and organisation as well as the Caring for Climate Initiative.

Yours faithfully
Danfoss A/S



Niels B. Christiansen
President & CEO

Introduction to Corporate Citizenship

Danfoss is a global company, present in a large number of countries with many different cultures. Because of this, it is vital that the company deals actively with the challenges facing the group where it operates.

Danfoss aims to actively contribute to a global, sustainable development where social responsibility, and a high concern for people and the environment, goes hand in hand with sound business development. A good reputation is a prerequisite for company growth at a global level; Danfoss' success depends on confidence from the outside world that Danfoss acts on the words: we live our Values.

Danfoss' overriding goal within Corporate Citizenship is to "keep our own house in order". For employees, this means they have an attractive workplace and a healthy working environment. Regarding the environment, this means Danfoss products contribute to energy savings, and the environmental impact of their production is constantly being reduced.

The goal also applies, in a broad sense, to social and ethical responsibility. Danfoss is constantly intensifying its efforts, because it believes that when employee satisfaction is high, environmental impact is as low as possible, and the company's ethics and

reputation are good, the result is a positive effect on the bottom line.

In spite of the fact that Danfoss is the majority shareholder in Sauer-Danfoss, Danfoss' environmental and social responsibility policies have not yet been implemented in Sauer-Danfoss. Therefore, information and data about Sauer-Danfoss are not included in the 2008 Corporate Citizenship report.

Over the long term, Danfoss aims for the entire Corporate Citizen report to be the subject of external verification. Up until now, only the environmental section has undergone verification by a third party. In the course of 2008, Danfoss cooperated with PricewaterhouseCoopers on data validity. The cooperation resulted in the integration of relevant indicators from Global Reporting Initiative (GRI) into the annual CSR questionnaire, which is distributed to all companies, and in establishing related accounting principles.

The five main themes of GRI (human rights, society impact, labour practices, environment and product responsibility) form the basis of the contents of the Corporate Citizenship report and an extensive table of the GRI indicators which Danfoss has chosen to report.



Human rights

Social responsibility systematised

Environmental and social responsibility is an integral part of Danfoss' history. In the 1980s, Danfoss began to systematise its environmental activities and has since the joining of the UN Global Compact in 2002, initiated a similar approach for social activities. The ten principles of Global Compact have been continuously integrated into a long range of processes and business procedures.

It is most likely that companies with a global reach operate in countries that do not respect human or labour rights. Knowledge about

which countries and which issues could present problems are vital.

In 2003, Danfoss partnered with the Danish Institute for Human Rights on a traineeship, resulting in country-risk analyses prepared for all countries where Danfoss has production sites. The analysis' are continually updated and used as basic information for planning responsible supplier management, but also as the basis for in-depth talks about local issues in connection with visits at suppliers and Danfoss plants.

In 2003, Danfoss implemented its CSR policy and reports on social responsibility. The

Global Compact

By joining the Global Compact, we aim to fulfil these ten principles:

1. We will support and respect the internationally declared human rights within our spheres of influence
2. We will ensure we are not complicit in human rights abuses
3. We aim to maintain employees' rights to unionise and recognise employees' right to collective bargaining
4. We aim to actively fight all kinds of forced labour
5. We aim to actively fight child labour
6. We aim to eliminate discrimination in the workplace
7. We will support a precautionary approach to environmental challenges
8. We will undertake initiatives to promote greater environmental responsibility
9. We will encourage the development and diffusion of environmentally friendly technologies
10. We will work against corruption, including extortion and bribery

KIRA GOTTLIEB
Danish

The Danish Design School,
Copenhagen, Denmark
Visual Communication
(2nd year)



Gold Award

*"Think with Your Heart."
What better injunction to inject
passion into your life and work?*

*The message is reinforced by
the materials used.
A heart, traditionally perceived
as the seat of human emotion
and enthusiasm, is here
constructed from modern
materials more usually
associated with technology
and functionality.*

*A meeting of worlds:
fact infused with feeling.*



company made a point of educating the relevant employee groups in social responsibility and submitting reports about the group's advances within social responsibility. In that context, social responsibility specifically covers human rights, labour rights, ethics and anti-corruption.

Danfoss reports on social issues are based on the CSR survey, a questionnaire distributed electronically once a year. The survey covers all of the group's plants and sales companies and includes questions about issues such as human rights, labour rights, as well as corruption and bribery. The 2008 CSR survey was distributed to 108 Presidents or administrative managers representing all companies in the Danfoss Group. Most of the results from the CSR survey are included in the Corporate Citizenship report.

In 2008, Danfoss published an internal Ethics Handbook including ethic guidelines for every Danfoss employee globally. The Ethics Handbook describes the established rules for what Danfoss employees should particularly pay attention to, and defines unacceptable behaviour. All people manager are asked to sign a declaration that they will comply with the guidelines in the Ethics Handbook and that they will communicate the contents of the Ethics Handbook to their employees. Two months

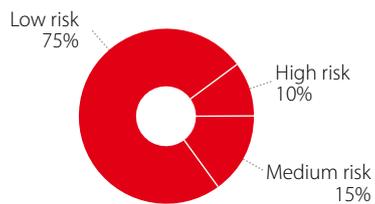
after the distribution of the Ethics Handbook, almost 1,200 out of 1,600 managers had put their signature on the document. Danfoss has also set up a call service to answer questions about ethical issues and an Ethics Hotline for the reporting of cases where ethical guidelines may have been violated. In addition to establishing these forums, managers with staff responsibility informed employees about the Ethics Handbook, and Danfoss' central CSR function has trained more than 300 employees, mainly managers, in the necessity and use of the ethical guidelines.

Since 1996, Danfoss has acquired more than 50 companies. Prior to concluding an acquisition, multiple elements are investigated, such as IT and financial structures and environmental and social matters are also scrutinised. It is a challenge to integrate so many new companies, because integration is influenced by local law, cultures and values. Danfoss requires newly acquired companies to comply with Danfoss policies within a certain time schedule.

Responsibility in the supplier chain

In addition to the four main categories of labour rights, human rights are also about a good and safe working environment, among other things. But companies are not only responsible for their

Distribution of direct suppliers



own actions; they are also to a certain extent responsible for their supplier chain, at least the first tier suppliers who are under a contractual obligation.

Danfoss cooperates with approx. 8,000 suppliers of which 3,758 supply goods for production purposes. The suppliers are located all over the world and many do business in areas where human rights and labour rights cannot automatically be assumed to be respected. So, over the past six years Danfoss has systematically implemented activities to improve the standard of the supplier chain.

All new suppliers are asked to sign Danfoss' Code of Conduct, which includes rules for social and environmental responsibility, and current suppliers are asked to sign the Code of Conduct on renewal of the contract. Any potential suppliers are also asked to fill in a self-evaluation form which concerns Danfoss' Code of Conduct.

Some countries have lower environmental and social standards when compared to others. Consequently, the suppliers are grouped in a risk-effect matrix. In this context, risk is defined as the risk that the supplier does not adhere to the Code of Conduct and effect is the effect of the supplier, by means of the size of the purchase. In 2008, 10% of suppliers of production goods were categorised as being in high-risk countries; 15% in medium-risk countries, whereas 75% were grouped as suppliers from low risk countries.

The Danfoss Group's central database for Code of Conduct audits shows that a total of 106 suppliers from high-risk countries, 46 from medium-risk and 478 from low-risk countries have signed the Danfoss Code of Conduct. Audits were carried out at 23% of suppliers in high-risk countries, at 8% of suppliers in medium-risk countries and at 4% of suppliers in low-risk countries. The actual number of signed Code of Conduct documents and implemented audits are, however, far higher. The reason is two-fold: some business areas have not been able to use the database; and the importance of entering data in the database was not prioritised. The documentation of Danfoss' activities must be improved and demands will be tightened, including quarterly follow-ups in 2009.

Problem areas typically seen at audits are poor safety measures such as lack of emergency exits and fire extinguishers, the lack of personal protective equipment, and incorrect treatment and storage of hazardous materials like chemicals. It is not unusual that some of these problems exist in the supplier chain, but the important thing is that the supplier rectifies any discrepancies. Against this background, action plans are prepared for each audit, where the supplier commits to correcting the issues. Danfoss follows up to find out whether the improvement measures have been implemented. If the issues have not been resolved, the supplier is provided with an addition deadline and informed that if the

steps have not been taken to rectify the problem, they will not longer be able to be a Danfoss supplier.

In 2008, Danfoss evaluated the supplier control, interviewing the purchasers about their conduct: 32% of the purchasers taking part in the survey rejected cooperation with a new supplier on grounds of reluctance or unwillingness to live up to the Danfoss Code of Conduct, and 4% of the purchasers phased out an existing supplier because he or she did not want to or could live up to the Danfoss Code of Conduct.

In the course of 2008, it came to Danfoss' attention that one of the group's suppliers was criticised in Danish media for not respecting trade union rights at its plant in China and for not paying compensation to an employee who had been laid off. Danfoss then contacted the supplier, Ole Wolff Electronics and the United Federation of Danish Workers, 3F, who had filed the case, to get access to the documentation. An external audit was carried out at the supplier and during subsequent talks, the supplier demonstrated great flexibility, and as a result, all the problematic issues established by the audit were solved.

The supplier paid compensation to the laid off employees which was collected by the employees at the Chinese Justice Bureau, who also adjusted and approved the calculation of the size of the compensation. In addition, the supplier contacted the local section of the Chinese trade union, ACFTU, which has granted its support to the reestablishment of the local trade union. The supplier, 3F and Danfoss met and agreed that 3F will use its network to provide the appropriate support for re-establishing the local trade union. To Danfoss, this is a textbook example of how the impact of UN Global Compact should and must be: Ensuring continuous improvements.

Labour rights

The four central labour rights of UN's Global Compact are: discrimination, child labour, forced labour and the right to unionise.

Discrimination

Arkadelphia, USA; where Danfoss' compressor plant is located, has very strict anti-discrimination regulations. The OFCCP (Office of Federal Compliance Control) specifically checks that companies do not violate the law and, just like other companies, Danfoss Scroll Technologies has been subject to an audit performed by OFCCP. After the first onsite audit, OFCCP was pleased with Danfoss Scroll Technologies. However, later they returned and reviewed more than 3,000 applications in a three-year period, during which the company did a lot of hiring and, therefore, employed production workers off the street and who often did not have the necessary qualifications. OFCCP took an interest in those who had the least skills.

No evidence of discrimination was found at the audit, but statistical tests suggested that the company, unintentionally, had behaved in a discriminatory way, based on the fact that OFCCP had compared the number of minorities and non-minorities who should have been employed with the total number of applications. First and foremost, OFCCP had based their evaluation in terms of minorities, whereas the matter of qualifications did not weigh as heavily. In 32 cases, OFCCP believed that Danfoss Scroll Technologies should have hired a minority.

More than 30% of all employees in Danfoss Scroll Technologies belong to a minority group, and in the group in focus more than 50% belong to a minority group. The top manager in the company also belongs to a minority group.

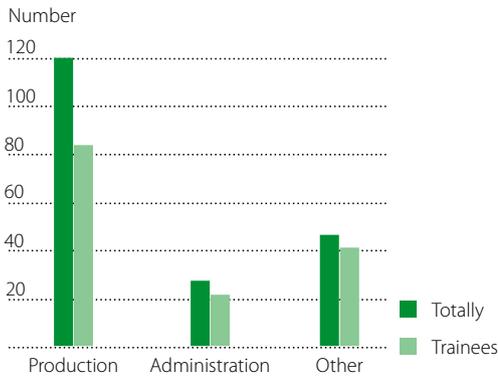
In 2008, the company entered into a voluntary agreement with OFCCP about the distribution of USD 200,000 to the minority applicants who were not hired.

Two other discrimination cases occurred in other parts of Danfoss in 2008. One was handled through the intervention of the local management; the other is awaiting court ruling.

Child labour

Since 2003, Danfoss has monitored whether the group's companies uses any form of child labour. Danfoss follows the ILO's convention regarding child labour by allowing young

Juveniles at work



people between the ages of 15 and 18 to work, provided that they do not work the night shift, are not involved in dangerous work and have more breaks than their adult colleagues. In 2008, 15 companies employed 192 youngsters between 15 and 18 years old, typically in positions related to training. 119 of them were employed in production, 27 in administration and 46 in other functions.

All of ILO's conventions concerning youngsters' jobs are being complied with.

Forced labour

In a company context, forced labour often deals with working hours and the right to days off. Danfoss monitors whether the group's companies comply with the ILO convention that establishes the weekly maximum working hours at 48 hours plus a maximum of 12 hours' overtime within a three-week period. The rules only apply to production employees.

In 2008, five companies in the USA, France and China had difficulty complying with ILO's convention regarding the rule about 48 hours plus a maximum of 12 overtime hours. Danfoss in China is one of the few sites where the working hours sometimes exceed the number required by ILO, but this is due to peak loads caused by the seasonal markets. The overtime work in question is not permanent and local laws are being respected.

The use of imprisoned labour can be an aspect of forced labour and, consequently, Global Compact signatories must be aware

of potential issues. The pivotal factor is that the work must be carried out on a voluntary basis and that the working conditions must meet the rules of imprisoned labour. In Texas, USA, jobs have been created in prisons in order to accommodate the very high rate of relapse into crime after imprisonment. The use of imprisoned labour in Texas is regulated via a special programme, the PIE program (Prisoner Industry Enhancement Certification Program), which is supervised by the United States Justice Department.

In 2007, Danfoss acquired a part of the company Chatleff Controls, which makes use of imprisoned labour in the Lockhart correctional facility in Texas. According to the acquisition agreement, the company would continue to supply Danfoss Chatleff after the takeover.

In connection with the acquisition, an investigation was conducted to establish whether the takeover of Chatleff and the continuing deliveries from the prison would amount to forced labour. It was verified that forced labour does not exist, given the fact that all of the inmates under the PIE program are employed on a voluntary basis and are paid a salary which is not allowed to be below the local minimum wage level.

There are a number of deductions from the salary to pay for the imprisonment, compensation for victims, support to the PIE programme etc. When this has been distributed, approx. 20% is left for the inmates and 20% for any

children. Auditors from the PIE program carry out audits at the Lockhart facility four times a year, and one solely concerns salaries.

Danfoss is in continuous contact with a large range of interest groups. In 2008, Amnesty International raised criticism of the acquisition and use of imprisoned labour at Danfoss' supplier. This resulted in the group's CSR function paying a visit to Danfoss Chatleff and the supplier at the Lockhart facility. The original owners of Chatleff and five former inmates were interviewed.

The interviews showed that inmates are on a waiting list to get a job in the prison and that several former inmates described the PIE program as very valuable: they improved their skills which, in turn, increased their job opportunities, and they got the chance to start a new life after their incarceration because they had some savings at the time of their release.

Currently, seven former inmates work at Danfoss Chatleff. Five of them have senior positions, such as team leaders or supervisors in the company.

In connection with adjusting the reporting in 2008 so as to comply with GRI guidelines, Danfoss' CSR survey 2008 was extended to include a range of questions, including whether the companies make use of imprisoned labour. Reviewing the responses, it was disclosed that DEVI A/S in Vejle, Denmark, had been cooperating with the Danish State Prison Møgelkær for more than ten years about the sub-supply of light assembly work. The extent of the cooperation differed from year to year and amounted to approx. 240,000 DKK in 2008.

Danfoss has paid the prison a visit, interviewing both the staff and the inmates, and a decision was made to continue the cooperation. Both inmates and staff marked the importance of offering meaningful jobs and, so, the jobs that companies offer are important. It is not easy to provide the inmates with meaningful work and staff and the inmates would regret any discontinuation of the cooperation.

All work carried out in Danish prisons is under supervision of the Supervisory Board concerning the employment of inmates which

consists of labour and management. This is to make sure that the work is not distorting competition. DEVI pays an amount to the State Prison, equal to the Danish minimum wage for unskilled workers. Every Danish inmate has a duty to work or otherwise be occupied, and the inmates in the State Prison Møgelkær can choose between education, treatment or employment. The inmates are paid a weekly sum of approx. 500 DKK.

In addition, DEVI also has an agreement with the protected workshop TREPAS in Viborg, Denmark, for assembly work. This work was originally sourced out to the prison and TREPAS, because it was too expensive to carry out at DEVI, far higher than the minimum wage. So, the alternative to having work done in the prison or at TREPAS would be to relocate it to Poland or China.

The use of imprisoned labour in Denmark takes place within the scope of UN's rules of imprisoned labour, so Danfoss thereby operates in accordance with the principles of Global Compact.

Freedom to organise

Danfoss recognise employees' right to be members of a union and their right to collective bargaining.

In countries where employees do not have a free choice of union Danfoss ensures that the employees can meet with the management to discuss work-related issues in other ways.

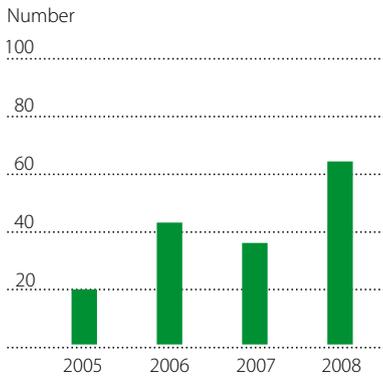
A total of 9 companies have reported that a free choice of union is not practised, which is why they have set up other forums for the management and employees to meet.

Anti-corruption

Danfoss does not tolerate corruption and bribery and taking part in such activities will result in termination of employment.

To ensure order in its own house, visits to Danfoss factories are performed on a regular basis, addressing issues relating to human rights, labour rights and anti-corruption. Training within ethics and anti-corruption is an integral part of the factory visits. During the course of 2008, managers at Danfoss in

Dismissals due to unethical behaviour



Mexico and managers at three plants in the United States received training in ethics; many were, for instance, presented with a “dilemma game” which has been specially developed on the basis of the Danfoss Ethics Handbook.

The country-risk analysis on Mexico reveals high levels of societal corruption, so corruption was one of the subjects which were discussed during the visit at Danfoss in Mexico. During the visit, the team was informed that a supplier previously offered a bribe to one of the managers. The consequence was that the supplier in question is no longer Danfoss’ business partner.

In several countries, exchanging gifts is common business procedure and is considered polite and token of respect. Danfoss operates in many countries, each with its rules and customs regarding the exchange of gifts. Danfoss relies on its employees to act in accordance with the local culture, but has introduced a limit of 100 USD regarding giving or accepting gifts. If the gift exceeds 100 USD, the immediate manager must be notified. The gift limit was introduced to make the issue of gifts more transparent and to protect employees against the suspicion of bribery. About 10 companies in the group have a different maximum limit than 100 USD, most of which have set a lower limit.

Other issues: unethical behaviour

Danfoss places importance on the fact that the company’s values are not only words on paper, but are lived throughout the company. Over the past four years, Danfoss has reported layoffs and voluntary resignation caused by unethical behaviour which violated the company policies. In 2007, there were 36 cases of layoffs caused by unethical conduct; in 2008 there were 64. The causes of the 64 layoffs and voluntary resignations due to unethical behaviour included: disloyal or threatening behaviour; conflict of interest; theft or fraud with company funds; misuse of confidential information; abuse of alcohol or drugs; and time account fraud.

Out of 64 cases of unethical conduct, six were reported to the group’s Ethics Hotline.



Society

Danfoss aims to contribute positively to the societies where the company is present. This is one of the company's core values, and is also supported by the employees. An example is Danfoss in China, where the employees in Wuging, Beijing and Shanghai collected 22 boxes of winter clothes during one month. They were donated to the organisation Sun Village, which runs several homes for children whose parents are inmates in prisons.

In 2008, Danfoss employees in Baltimore, USA, donated both toys and money for the relief program Toys for Tots which has distributed toys for children of poor parents throughout USA since 1947. A total of five boxes containing toys were collected.

Thanks to the funds raised, it was possible to buy extra presents to make sure that children of any age received one.

Corporate Public & Government Affairs

In 2008, Danfoss decided to systemise its relations with political bodies and decision-makers. This took place in a year when energy, food and financial crises demanded responses from the industrial sector to new political challenges.

Any product is directly or indirectly influenced by the political scene. This goes

for Danfoss products too, so, and the political environment is an important source of innovation. It is the responsibility of Corporate Public & Government Affairs to improve Danfoss' ability to enter into a dialogue with the political decision-makers who have an influence on Danfoss' business conditions.

Danfoss is part of the civil society and is a democratic player. It is the company's aim to be transparent concerning the company's commitment in the political process. Energy & Environment; Foods & Health; Trade & Competition and Public Diplomacy are the four main focus areas topping the priorities. Expectations are that – in the course of 2009 – Danfoss' representatives will be registered as lobbyists in Brussels and on Capitol Hill.

Danfoss Employee Foundation

The Danfoss Employee Foundation works to provide consulting and financial support to employees in Danfoss A/S, the Bitten and Mads Clausen Foundation, associates in Denmark or their Danish subsidiaries. This means that Sauer-Danfoss ApS and Danfoss Universe A/S are also covered by the Foundation's support.

In 2008, the Foundation saw an increase in the number of applications and it dealt

KARIN BJÖRSMO

Swedish
Graffitikurbits

The Royal Academy
of Fine Arts - School of
Architecture. Copenhagen,
Denmark
Architecture, Design (5th year)



Silver Award

"Kurbits" is a traditional Swedish technique where fantasy flowers are used as ornamentation on everything. Contemporary graffiti culture shares the same urge to fill "empty" surfaces, inspiring this merging of the rural and the urban, the global and the local.



with around 400 cases. The majority of cases deal with issues relating to divorce or weakened economic circumstances.

2008 again saw many recently hired German employees applying to the Foundation for help as a result of economical straits following years of unemployment.

The lawyers at the Employee Foundation dealt with around 400 requests, which primarily concerned inheritance and testaments, divorce and division of property, debt relief and insurance matters.

The Foundation granted financial support amounting to approx. 5m DKK in 2008.

The Fabrikant Mads Clausen Foundation

The Fabrikant Mads Clausen Foundation was established on Christmas Eve 1960, when Danfoss founder, Mads Clausen, decided to formalise his charitable activities.

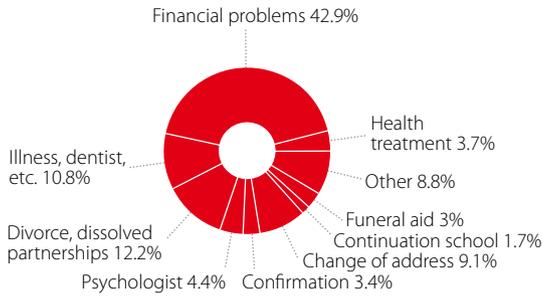
The purpose of the Foundation is to grant charitable donations and over the past years, considerable support has been granted for many different purposes, in particular for

activities in the local community surrounding the headquarters in Nordborg. The Foundation is a cornerstone of Danfoss' social responsibility towards the local areas where Danfoss operates, and as Danfoss expands and becomes more global the grant recipients have also increased to include Danfoss' other locations in and outside Denmark. Donations granted in recent years included a girls' school in Monterrey, Mexico, a new ambulance in Crnomelj, Slovenia and ambulance equipment for the local area of Grodzisk outside Warsaw, where the Danfoss Poland headquarters are located.

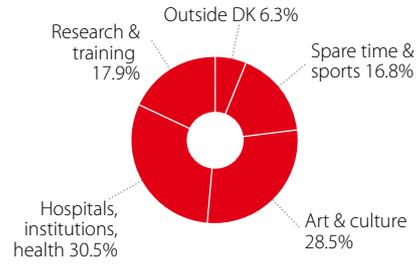
The Foundation provides financial support for training and research, Danish cultural enterprise in and outside Denmark, charitable associations and institutions and many other charitable purposes. An annual allocation is spent on the operation and maintenance of the Havnbjerg Mill at Nordborg. The mill, which is open to the public was originally purchased and restored by Mads Clausen.

In 2008, the Fabrikant Mads Clausen Foundation granted approx. 10m DKK

Danfoss Employee Foundation, allocation of grants



Donations from the Fabrikant Mads Clausen Foundation



to more than 350 recipients, including numerous associations and institutions located in the Danfoss communities. Furthermore, many Danish national relief organisations and patient associations received grants. The biggest grant of the year amounted to 1m DKK, and was given to Gigthospitalet (an arthritis hospital) in Gråsten, Denmark, to purchase up-to-date digital x-ray equipment.

In the course of 2008, the Foundation donated 600,000 DKK for humanitarian and cultural purposes outside Denmark, of which 400,000 DKK were donated as relief aid following natural disasters in China and Burma. Over the past years, the Foundation also provided donations for a long range of disaster areas, such as New Orleans, Sichuan and the tsunami-stricken areas around the Indian Ocean, doubling the amounts collected by Danfoss employees.

In 2008, the Fabrikant Mads Clausen Foundation donated 50,000 DKK, to build a children's village in the federal state of Tamil Nadu in India, where the Danfoss India headquarters are located. The construction and running of the children's village is funded by the Danish relief organisation Verdens Børn (Children of the World), and the recipient of the donation from the Fabrikant Mads Clausen Foundation. In poor regions of India girls are not always as valued, and many poor parents leave their newborn baby girls in backyards in the cities or in desolate places in the countryside. In the children's village, the orphaned girls are given food, care and medical help and begin school when they are old enough.

Labour practices

Although Danfoss is the majority shareholder of Sauer-Danfoss, Danfoss' policies for labour practices and HR have not yet been integrated in Sauer-Danfoss. This means that data and information about Sauer-Danfoss are not included in the Corporate Citizenship report for 2008.

Danfoss focuses on developing employees, leaders and our organisation. This allows the group to successfully execute its strategy and reach its business goals. Danfoss top management believe that the people who drive the engine forward – the Danfoss employees – must have world class competencies, as well as the best possible leadership so they can work towards finding better solutions for the company, while constantly striving to exceed our customers' expectations.

At Danfoss, people and leadership, as well as strong core values provide the foundation for activities and success. 2008 was a challenging year for the organisation, with ambitious financial and business targets, and volatile financial markets around the world. The purpose of the global HR organisation continued to be to contribute to these results by supporting performance improvements and by developing employees, managers and the organisation.

Danfoss Core Values

- Our Business is Trust
- A very safe and reliable choice
- Passionate about technology
- Global culture, local representation
- Environmentally and socially responsible

Supporting the Development of a high-performing organisation

The global HR organisation has developed a five-year perspective plan in close cooperation with the business units. The perspective is designed to support successful business results, in particular focusing on developing a culture which drives performance improvements and Will to Win and that is fully in line with the Core Values.

Strategic HR at Danfoss focuses on improvements through measurements including Leadership, Absence Rate, Voluntary Turnover, Employee Satisfaction and Motivation and Employee Development.

Danfoss is strongly convinced that employee satisfaction and motivation has a direct influence on the level of absence rates, voluntary employee turnover as well as employee engagement. The company also believes that good leadership and focus on employee development are main factors for



MORTEN LARSEN

Danish
On the Highway to the Beach

The Jutland Art Academy,
Aarhus, Denmark Computer,
Video, Animation, Photo,
Sound (5th year)

Silver Award



'On the Highway to the Beach' is a journey through a miniature landscape made of paper, card and concrete. Symbols from a weather forecast awaken the viewer to a new awareness of how the weather affects us, and how we affect it.

raising the level of satisfaction and motivation. Higher levels of employee motivation are directly correlated with increases in productivity and make decreasing absence and voluntary employee turnover significantly decrease fixed costs for the company.

In order to strengthen Danfoss' focus on people and organisational issues in the company, a decision was made in 2008 to reorganise HR. In the future, the HR-focus will be more clearly focused on three main areas

- Group HR focusing on global strategic human resource management, leadership development and HR strategies
- Business HR partnering with the business management focusing on leadership development and engaging employees and how these elements support the bottom line
- Operations HR focusing on regional operational HR services.

Reward is total reward

Another key aspect of supporting the development of a high performing organisation is ensuring that performance is linked with employee compensation and reward to help motivate, attract and retain employees. At Danfoss, reward is Total Reward – a holistic

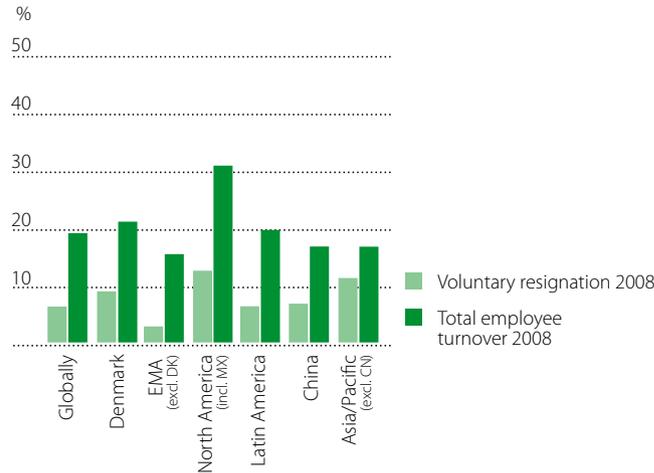
strategy built around five elements that can be combined as appropriate on local markets: Compensation, Benefits, Recognition, Career-Opportunities and Work-life Balance.

In 2008, a revised bonus system for salaried employees was developed and will be implemented for 70% of salaried employees in 2009, with the final 30% in 2010. It is designed to motivate employees to higher performance by closely linking job tasks and bonus agreement objectives, and ensuring that employee actions have a clear impact on what they are measured on. The bonus system will globally align bonus agreements, while at the same time allow Danfoss to have competitive compensation packages in local markets.

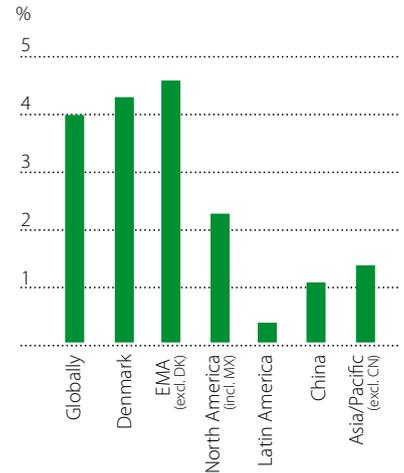
Human Capital KPIs

Danfoss' employee turnover was impacted by the turbulent markets of 2008, reaching 19.5%, a few percentage points more than in 2007. The turnover developed positively throughout most of the year, but it was severely affected by the inevitable layoffs, particularly during the course of the last quarter. This mainly applied to Europe, North America and China, whereas minor decreases were recorded in the remaining regions.

Employee Turnover



Absence



However, the company registered a slight drop in the number of voluntary redundancies: 6.8% decided to leave the company in 2008, compared with 7.8% in the previous year. One feasible explanation is that many employees – in the light of the current financial crisis – chose to keep their job, so as to avoid being the most recently hired employee at a new company. This situation applies to every region.

The greatest number of staff leaving the company was between 25-34 years old, both with regards to total and voluntary staff turnover. A relatively large proportion of the staff turnover happens at an early stage of employment: 64% of all turnover in 2008 was recorded amongst employees who had less than two years' with the company and they were primarily production employees.

In 2008, the total absence rate amounted to 4% which is on a par with previous years. Absence is defined as the result of illness, strikes and other non-approved absences. Regional figures remain unchanged, with relatively high absence rates in the main regions Europe and Denmark (4-5%) and very low rates in the remaining regions.

Responding to market challenges

In the second half of 2008, Danfoss took the first steps to respond to the turbulent global market situation. In response to lower market demand, the company found it necessary to reduce the

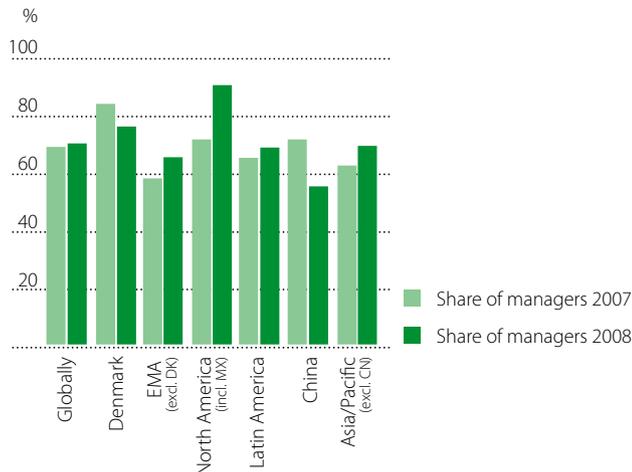
workforce. Wherever possible, these reductions were made through natural attrition and allowing vacant positions to remain open, but in some cases redundancies were necessary. In other locations, management and staff came up with creative solutions to both respond to market conditions and avoid redundancies.

For example, at Danfoss in Arkadelphia, USA, the plant, which employs 470 hourly-paid employees, was shut down for a total of seven weeks during the second half of the year. Employees in production, purchasing and logistics were asked to take leave in order to avoid dismissals. Of the seven weeks, one was paid vacation; employees were able to claim State unemployment benefits during the other weeks.

In December, further action was taken by the group in the form of a global full hiring freeze. This move was put in place to, if possible, avoid further redundancies, and to help the company adjust to the market situation. All vacancies must be filled through internal redeployment, adjusted working routines or redistributed assignments.

When redundancies are unavoidable, Danfoss takes action to help affected employees. For example, in Denmark, Danfoss HR staff developed individual plans based on interviews with all laid off employees, and provide information on courses and training available.

Leadership development



Leadership Development: leaders must show the way

Danfoss top management knows that in order to achieve the ambitious business goals, and to lead employees successfully during turbulent times, managers' leadership competencies need to continuously be developed. Leadership in a high performing organisation is the foundation in order to achieve Danfoss' aspirations. In 2008 the Danfoss Leadership Competencies were updated and revised to reflect the business challenges Danfoss faces, and to incorporate the necessary behaviours to develop and support a high-performing organisation.

The Danfoss Leadership competencies provide leaders, and employees, with a definition for "Will to Win" behaviour at Danfoss.

Danfoss Leadership Competencies

As Danfoss leaders we must

- Drive Customer Focus
- Role Model High Performance
- Demonstrate Global Mindset
- Inspire and Encourage People
- Differentiate through Innovation

The leadership competencies provide Danfoss leaders with a framework for leading people in local context. They also recognise that building leadership competencies is a challenge the organisation must face head on, and therefore invest considerable resources in improving leadership at Danfoss.

Top management introduced the leadership competencies in various contexts during the year and they were integrated, both locally and at a group level, into leader training courses, recruitment tools and others. At the same time various tools were developed to support the implementation process for the Danfoss Leadership Competencies. These included a feedback and dialogue tool as well as facilitation tools including a work mat and card game.

70% of leaders at Danfoss attended leadership training in 2008, which was at the same level as 2007 (69%). Of these, 15% were on training for longer than a week.

Mandatory leadership training introduced

In 2008 a three-day mandatory leadership program, Leading People at Danfoss, was launched for newly hired, acquired or appointed people—leaders in the group in order to ensure that new people-leaders at Danfoss know what is expected of them.

In 2008, 11 Leading People at Danfoss programs were delivered; three in Denmark, two in the USA and one each in Germany, Slovakia, Malaysia, China, Brazil and Spain. 198 new people-leaders attended the programme from 37 different countries.

At the end of the year, statistics on the evaluation data on global leadership programs showed that the programs met Danfoss leaders' needs; high learning outcome with relevance

for their daily work. The average score on a 1 to 6 point scale was 4.88.

Leading people always happens in context, and Danfoss believes that leaders also benefit in leadership training in a Danfoss context. By training in context, leaders can address critical issues and make lasting changes. Strategic leadership dialogues, focusing on the individual organisation's critical issues and linking them to strategy, have been implemented many places in the organisation to emphasize the close link between leadership and achieving strategic goals. In 2008, seven strategic dialogues in five business units took place. In many cases, follow up included tailor-made initiatives to develop the identified required competencies.

For example, in the Heating Division's Heating Controls Business Unit, top managers went through the strategic leadership dialogue process after a reorganisation created four new strategic business areas. (SBAs) The process had two main focus areas; at the top manager level used the process to ensure alignment with the "soft side" of the business, bringing people and organisational culture issues on board in the strategic perspective process. At the same time, the process identified the direction for future leadership development in the business unit. To continue the process down throughout the Heating Controls organisation, the first strategic leadership dialogue with the leader team of one of the four SBAs was held in December, and the other three will follow in 2009.

A Senior Talent Process was introduced in 2008 to ensure a systematic, top-down process to support consistent career and succession planning for senior managers at Danfoss. This is one of the responses to the challenges of filling senior positions in the group, and is in line with the corporate aim to retain and develop the group's own people by filling a majority of positions with internal candidates.

Employee Development, Engagement and Well-being

Developing human capital

One of a Danfoss leader's most important tasks is to make sure that strategy and objectives are translated into concrete, relevant work assignments for employees. While this takes place on an ongoing basis, at least once a year it is reviewed in a development dialogue between the leader and the employee. They agree on, among other things, written personal competence development initiatives for the employee.

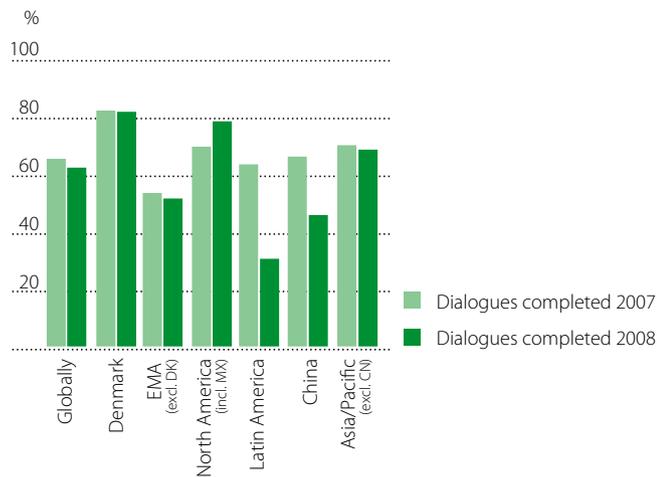
In 2008, a global, electronic system was rolled out in the Danfoss organisation, aligning the employee development process and providing employees with consistent long-term development opportunities and managers with standardized tools and reports.

63% of employees completed an employee development dialogue in 2008, a slight decrease compared to 66% in 2007. This development is unsatisfactory, especially as the goal for completion was 80%. The relatively high employee turnover rate in 2008 may have been one of the main reasons for this low result.

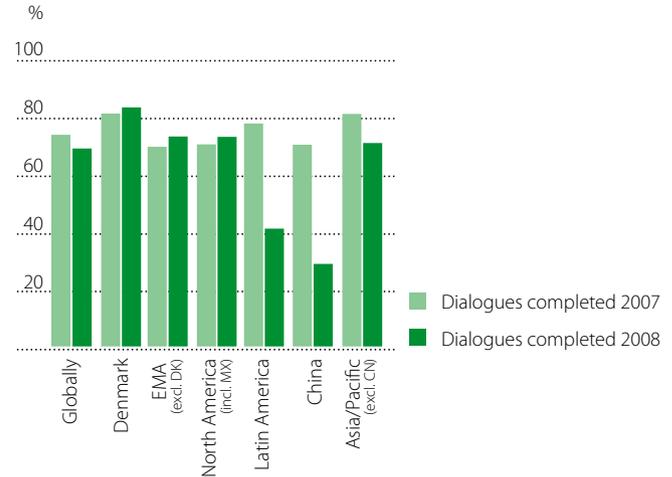
Managers' development dialogues with their own immediate managers, where the dialogue is especially important in relation to developing leader competencies, decreased slightly from 74% in 2007 to 69% in 2008.

Employee development dialogues are a central element in the company's development of employee competencies, but departments and divisions tackle the process differently throughout Danfoss. In Corporate Finance, management and staff went through a unique process to align and discuss what development means in their context. The team also agreed on a recommendation for the timing of the process to fit in their work cycle in finance so that it would get the focus it deserved.

Employee Development Dialogues



Development dialogues for managers



Identifying and retaining our best people

Motivating and nurturing talent as well as identifying and developing the talent form a critical cornerstone necessary to meet Danfoss' business goals.

Talent identification and development is the responsibility of the individual leader, but HR provides guidance and tools in the form of Danfoss Talent Management.

One of the cornerstones of Danfoss Talent Management is the Accelerated Development Programme (ADP) and the talent identification which is part of the programme's selection process. The objective of ADP is to locate and develop leader talents throughout the group. Forty talents are selected for participation in an extensive clarification and leadership development process including a course at an internationally recognised business school, followed by a development process which combines individual sessions and group work, among other things.

In addition to the five Danfoss Leadership Competencies, criteria such as the individual employee's potential for performance and ability to achieve higher-than-expected results are applied when identifying and selecting the talents. Talents are selected from business

units throughout the organisation who are then evaluated by talent committees, which consist of top management and HR representatives at business unit, divisional and corporate levels.

Since its introduction in 2006, 80 leader talents have completed the ADP and 93% of these key employees remain employed with the group. More than 50% of the participants have been promoted or had their fields of responsibility extended. At the same time, feedback from 80% of the previous participants shows that 93% of them consider that participation in the programme had a significant positive effect on their personal development. Both the share of retained employees and promoted talents are estimated to be very satisfactory, but the impact on career development is yet to be reviewed in a long-term process.

At the end of June 2008, participants from both ADP and participants from Danfoss' programme for leaders with strategic impact joined Danfoss top management for a Talent Summit. CEO Jørgen M. Clausen and Vice-CEO Niels B. Christiansen led a dialogue process about the updated perspective for Danfoss. Participants in smaller groups then had the opportunity to ask questions and provide feedback to top management.

Following the 5-hour dialogue session, a special workshop was held, designed to provide inspiration for strategy implementation with violinist and Business Advisor Miha Pogačnik and the South Jutland Symphony Orchestra. Miha Pogačnik uses music as a metaphor for high performance leadership and offers an original response to the quest for creativity and innovation at Danfoss.

For new graduate recruits, Danfoss offers the Danfoss Post-Graduate Program, a two-year accelerated high-performance programme for new graduates with various backgrounds from universities all over the world. In 2008, 40 participants were given a unique possibility to learn about Danfoss globally, live and work in other cultures and provide Danfoss regions and divisions business-critical competencies.

Building competencies throughout the organisation

Building employees' competencies through on-the-job training and other courses and education is crucial in the sharpened global competition. Danfoss views it as a life-long process and commits major resources to supplementary training for employees. Training also improves employees' adaptability and employability. In 2008, Danfoss invested 104 million DKK in external supplementary training, which level with 2007.

At the same time, there was significantly increased focus on a wide range of internal training and supplementary training activities. In 2008, the Global Education and Training function registered 8,253 participation days compared to 5,331 participant days in 2007.

Danfoss Business System also focuses heavily on training employees and managers throughout the group in order to develop a strong culture of continuous improvement. In 2008, Danfoss Business System established the Danfoss Academy, to further systemise this training.

For example, within manufacturing productivity, focus was both on Supervisor and Team Coordinators and their roles to ensure a common leadership approach for manufacturing processes based on the 10 productivity principles as well as increasing confidence with productivity tools. Within sales, a focus area was rolling out competence assessment tools and process, among others, and within purchasing the Academy focused on sustaining lean processes. All in all, the Danfoss Academy registered 3,987 training days in 2008 with training completed at every level of the Danfoss organisation.

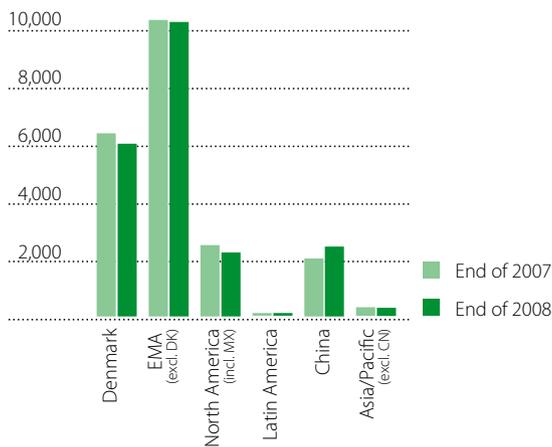
In order to focus competency development and ensure that employee development reflects the challenges and demands of the business strategy at both a departmental and individual level, Danfoss Drives rolled out a "Competence Wheel" concept in its US organisation in 2008. Through a workshop which involves a department's customers, whether they be internal or external, employees gain insight into the customer's strategy and challenges, and then work through a process to identify the department's critical competencies and then create long-term, individual development plans targeting these competencies and linking it to employee development dialogues. In 2008, 12 workshops were held in North America, and further workshops are planned for 2009.

Employee numbers

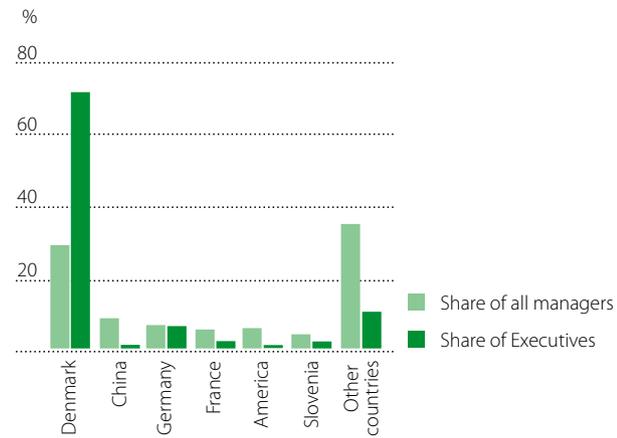
At the end of 2008, the Danfoss Group employed 31,717 (incl. Sauer-Danfoss). Despite Danfoss' controlling interest in Sauer-Danfoss, Danfoss' HR KPIs have not yet been integrated with Sauer-Danfoss'. As a result, information and data on Sauer-Danfoss is not included in the remaining employee data concerning 2008.

At the end of 2008, Danfoss employed 22,133 people, a decrease compared with 22,323 in 2007 and which was primarily caused by a high number people leaving, particularly

Headcount



National origin



in the last quarter when the effects of the crisis became very apparent.

Also, unlike previous years, Danfoss did not acquire as many companies, so the employee number includes only organic growth, like the remaining parts of the business activities.

In 2008, male employees represented 67% of the staff, while female employees represented 33% of employees. At management level, 83% were men and 17% were women.

Most managers are still from Denmark. 30% of the managers are of Danish descent, whereas 72% of the company's executives are of Danish origin. Danfoss' 2008 growth rates in China show that China is now the country that has the second-highest number of managers in Danfoss, i.e. 10%.

In decreasing order, the national origin of managers is: Germany, USA, France and Slovenia. In all, 90% of the company's executives come from these six countries.

Working environment and safety

Danfoss considers a healthy and safe working environment a requirement for running a sound and efficient business and reaching its set targets.

Working environment and safety are elements which are integrated into every company

activity; at the customers, in design processes, during the production of products, and the maintenance of buildings and equipment. Making sure that all employees thrive and are not exposed to injuries is an undeniable aspect of the company's culture.

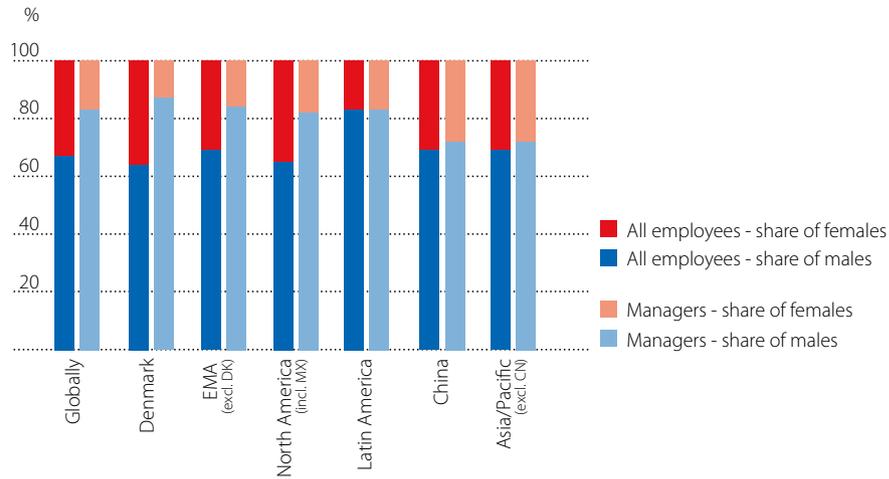
Danfoss' Working Environment Policy defines a range of issues and focus areas for the individual business unit. Consequently, every Danfoss company prioritises working environment and safety. The policy establishes that Danfoss' business activities must be planned and executed in consideration of the employee, the working environment and the external world.

Around one third of Danfoss' plants all over the world have been certified according to the working environment standard OHSAS 18001, and the rest have integrated the issues of working environment and safety into their environmental work in accordance with the ISO 14001 standard.

Work accidents

The number of work accidents at Danfoss has dropped since 1999, when the accident rate exceeded 28. In 2008, the rate was 16.8. The accident rate is defined as number of accidents per 1 million working hours.

Gender



The company had 329 accidents resulting in at least one day's absence in 2008. The injured employees were absent for a total of 6,850 days, which equals an average of 20 days of absence per accident. The compressor factories in France and Slovakia and Danfoss Socla in France experienced the highest absence rates; the average was 34 days per accident.

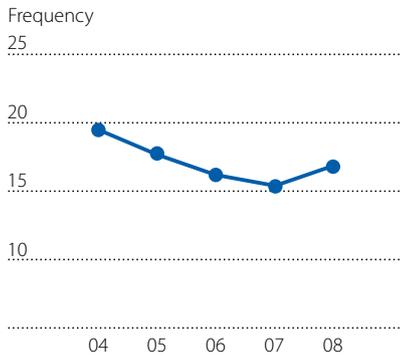
The number of accidents rose by 5% compared with 2007, whereas the accident rate increased by 9%. 60% of the accidents in 2008 were not so serious, with less than ten days of absence, which is slightly below the level in 2007. The remaining accidents were more serious, in which cases the absence rate exceeded ten days. Around 85 of the serious accidents resulted in the employee being absent for more than 20 working days.

Hands and fingers remain the most exposed to injuries, accounting for 169 accidents. This number equals half of the accidents. 9% of the accidents resulted in injuries to the head, whereas the legs/feet and the remaining parts of the body each represent 20% and 18% of the accidents, respectively. These figures are, on the whole, unchanged compared with previous years.

Targeted safety measures

Targeted efforts to improve safety at Danfoss' plant in Mexico led to an impressive outcome. Key words in the process were management focus, continuous focus on safety at all levels and very structured follow-up procedures. In 2006, the plant had 35 work accidents. This

Accidents with absence



Distribution

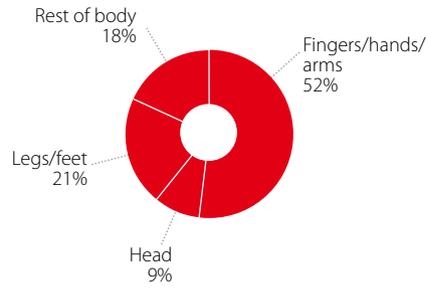


figure had dropped to just nine in 2008 of which three were fall accidents on stairs.

Parallel with the implementation of S5 (the systematic elimination of potential errors), the factory's zero-tolerance policy regarding accidents as well as the extensive use of internal audits and bonus systems have resulted in major improvements. The management meet every month to discuss safety issues, following up on the achieved results and initiating any required improvements. Each quarter, all of the employees are gathered and presented with the outcome of the safety activities and next quarter's improvement objectives.

Violations of working environment regulations

Only two violations of the working environment regulations were recorded in 2008, resulting in local authorities imposing directions, fines or filing a police report. Both matters have been rectified.



Environment

Policies and responsibility

Danfoss' long-standing environmental activities target continuous environmental improvements within its operations and products. It is important to Danfoss that the environmental impact does not increase as much as its activities and that the company constantly increases efficiency in its use of resources and raw materials.

A passion for technology is one of Danfoss' Core Values. Danfoss wishes to be at the cutting edge of technological development and strive to optimise its products and processes to have the least possible impact on the surrounding environment. Efforts to streamline the production processes are made on an ongoing basis to ensure it uses a minimum of resources and makes the least possible impact on the environment. Likewise, Danfoss aims to use as few harmful substances as possible. With this in mind, the company has prohibited or limited the use of substances which could be hazardous to humans or the environment.

Danfoss' environmental policy basic premise is that the company places strict demands on the environmental conditions existing at every

Danfoss company – both in terms of the working environment and the external environment.

With the assistance of the corporate functions, the individual business unit is responsible for complying with the group values and policies. The Danfoss Executive Committee and the group's Chief Reputation Officer have the overall responsibility for Danfoss' environmental conditions, assisted by the group's environmental function, which is placed within Corporate Communications & Reputation Management.

Danfoss committed to climate improvements

Danfoss aims to contribute as much as possible to global efforts to reduce CO₂ emissions from energy-consuming processes and systems. Danfoss' products save energy for the customer and shall use as little energy as possible. The company also wishes to "take its own medicine" by using its knowledge and products to reduce Danfoss' emission of greenhouse gases resulting from production and transport.

In 2008, the group began the process of setting ambitious targets for the development

FREDRIK OLAUSSON
Swedish
Water Carrying Stone

Chalmers University of
Technology - School of
Architecture. Gothenburg,
Sweden Architecture (4th year)



Gold Award

*How can flowing water
reach the supposedly impossible
goal of carrying a stone?
By finding the right shape for
the task, transforming
its structure into something
new; an ice structure.*



of energy consumption and the emission of greenhouse gases. At the end of 2008, the work resulted in a climate strategy which has been approved by top management.

Ambitious climate strategy

Danfoss has chosen a climate strategy aiming for an annual cut of 1% in total CO₂ emissions related to transport and energy consumption in the period until 2025. This may not sound much, but with compound interest, the end result will be a 25% reduction compared with 2007 emission levels. The target is in absolute figures.

No matter how much Danfoss expands, the annual CO₂ emissions must be reduced by 5,000 tonnes compared with the level in 2007. The 2007 level was approx. 250,000 tonnes, which covers both transport and energy consumption. In real terms, the annual CO₂ emissions must be reduced by more than 5% which equals more than 15,000 tonnes.

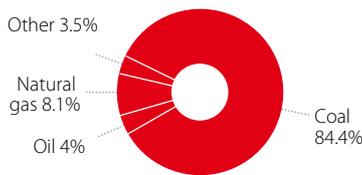
The climate strategy also specifies that the share of CO₂ neutral sources of energy should be increased by 25% before 2025. In 2008, the total share of CO₂ neutral energy amounted to 23%, whereas the share for electricity was 39%. This figure includes nuclear power as CO₂ neutral energy.

Danfoss has always considered energy savings and environmental improvements when planning the production processes. This means that the easy-wins have been achieved and that it will be a lengthy process and require substantial investments to achieve the targets.

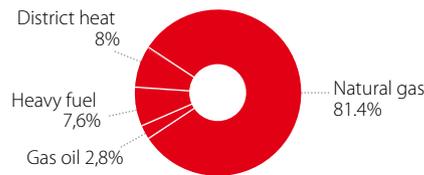
Over the past years, Danfoss has worked committed to optimising the company's processes and business routines, under the management of Danfoss Business System, a business unit which has successfully reduced costs, waste and delivery times throughout Danfoss' global organisation.

To ensure that the climate strategy is embedded at Danfoss in the best possible way, a large part of the activities which are being implemented will be administered by Danfoss Business System who makes sure that energy savings and energy-efficient behaviour are developed, implemented and embedded in the organisation. It is also expected that Danfoss Business System will contribute to the development of future climate initiatives, including transport, energy supply and infrastructure.

Sources for CO₂ emission (electricity)



Sources for CO₂ emission (other energy)



Emission of CO₂ from manufacturing

Every Danfoss production facility is asked to report their consumption of fossil fuels and renewable energy and most plants have succeeded in gathered this information from their utility company. This allows Danfoss to calculate the CO₂ emissions for each facility. The calculation is based on data from the World Resource Institute, which the UN climate panel (IPCC) uses for its reports.

In 2008, Danfoss emitted approx. 180,000 tonnes of CO₂ generated from the group's consumption of electricity and heat. The sources of the emissions are both direct (own systems for the generation of electricity and heat) and indirect (electricity and heat purchased from external producers). The emission is unchanged from 2007, which is primarily caused by higher energy consumption in the Chinese factories than savings implemented elsewhere in the group.

The electricity consumption represents 76% of the group's total emission of CO₂, equalling 137,000 tonnes in 2008, while 43,000 tonnes of CO₂ are emitted from energy sources used for heating.

The consumption of electricity generated by fossil fuels has decreased by 1.5%, while 2% more electricity generated by renewable sources was consumed in 2008, compared with 2007. The same applies to energy used for heating.

The long journey of products

The target that Danfoss has set for the reduction of CO₂ emissions also cover the transport of finished goods to customers.

Each year, more than 300,000 tonnes of cargo is transported by plane, ship, train or truck. These kinds of transport each give rise to emissions of greenhouse gases.

The ten largest plants have mapped the transport of finished products and calculations show that around 75,000 tonnes of CO₂ are emitted from the transport of products to customers. Danfoss' products travel no less than an average of 2,700 kilometres to get to the end-user. This gives a total of more than 700 million tonnes kilometres [tonne km = one tonne of cargo transported one kilometre].

Only 4% of the company's products are transported by plane, but as they are overseas transports, they are long-haul. So, air transport represents as much as 73% of the total amount of CO₂ emissions caused by transport. Transport by truck amounts to 68% of the tonnage, but only 23% of emissions. This makes it obvious for Danfoss to strive to transfer the transport of as many goods as possible from plane to train, ship or truck being the most environmentally-friendly transports.

Other CO₂ emissions

In addition to the emission sources above, Danfoss' activities give rise to other forms of CO₂ emissions. The group concentrates its focus

on areas where the group has the biggest influence.

The emissions from the employees' business flights amount to approx. 23,000 tonnes of CO₂, of which almost 70% stem from overseas flights. In 2007, the employees' total mileage was close to 210 million kilometres, which corresponds to 5,000 times around the Earth.

Calculations show that if instead of business trips, video conferences or conference calls were held, it would be possible to achieve large reductions in not only the CO₂ level, but also in travel expenses. If travelling is reduced by a mere 10%, it would result in the employees saving around 30,000 hours annually in travelling and waiting time in airports etc.

Taking one's own medicine

Since its foundation 75 years ago, Danfoss has produced energy-friendly solutions and it has gained a strong global profile within the area.

One approach is to take one's own medicine by introducing the Danfoss Solutions' Montage™ system in plants that consume the most energy. Danfoss Solutions offers to guarantee savings on energy and resource consumption in a number of process industries.

In 2008, Danfoss Solutions started implementing the programme in a range of Danfoss' largest plants, including Danfoss Commercial Compressors' factory in Arkadelphia, USA. The factories were selected because they are the most energy-consuming entities in Danfoss, and because major energy savings are expected to be obtained. Studies show, for example, that 50-80% of the energy consumed is not dependent on production volume – in other words: many machines are idling.

The activities carried out at the largest plants are set to be combined with global energy-saving campaigns and efforts which ensure that Danfoss' own technologies and products are put to the best possible use.

Plants minimise CO₂ emissions

Contemporary families consume large volumes of power and when adding the annual power consumption of 10,000 families, it will correspond

to CO₂ emissions amounting to 15,000 tonnes – the amount by which Danfoss aims to cut emissions each year in the future.

According to experts, CO₂ is one of the greenhouse gases which cause the temperature on Earth to rise. However, the reason that Danfoss wants to cut CO₂ emissions is not only out of consideration for the environment. Prior to the start of the projects, Danfoss' annual energy expenses were nearly 300m DKK. There is no such thing as cheap energy anymore and the power bills of some plants have increased by 240% in just six years.

Analyses carried out by Danfoss Solutions show that electricity consumption at one of Danfoss' factories in Slovenia amounted to two thirds of the factory's total energy bill – i.e. more than oil, gas and water put together.

By introducing a system for the reuse of hot air from machine dryers; an automatic standby function on the compressed air equipment; and new light bulbs in the production hall, the factory obtained annual savings of 1.5m DKK or almost 10% of the entire electricity bill.

Danfoss Solutions guarantees the customers that their investments in energy savings are realised within two years.

Environmental work in the organisation

Danfoss is a global company and it takes responsibility for the execution of a sustainable development in the areas and countries where the group operates.

For this reason, environmental and social responsibility is one of Danfoss' five Core Values and the work to live the values is high on the agenda throughout the organisation.

The group's policies concerning working environment, environment, and social responsibility ensure sharp managerial focus on the compliance with national and international guidelines and declarations. The company requires every factory with more than 20 production employees to be certified according to ISO 14001 and that all Danish plants are also certified in accordance with OHSAS 18001. In 2007, the group had 56 plants which are set to become ISO 14001-certified. Of this number, 51 have been certified,

while the remaining units are preparing themselves for an impending certification.

In addition, Danfoss expects contractors and craftsmen working at Danfoss' factories and machines to live up to quality, working environment and environment standards equal to those of Danfoss. Before starting, all contractors and craftsmen receive instructions in safety and environmental issues, including the disposal of waste.

Control and reporting

Danfoss has a decentralised organisational structure, so the factories are in charge of local environmental activities.

Local management is responsible for complying with local regulations, being aware of the environmental development and making sure that the company considers issues relating to environmental and working environmental issues when the company develops and introduces new products and production processes.

Each factory has appointed employees to ensure that requirements of environmentally-friendly behaviour and production are continuously followed. This work is often performed in close cooperation with the group's or the divisions' corporate functions, which are in charge of reporting environmental information for use in the Corporate Citizenship report. Across Danfoss' global organisation, an effective network has been set up consisting of environmental coordinators who meet annually for a one-week seminar, where they are updated on current knowledge.

Danfoss carries out regular internal audits to ensure consistency between the way we work and how we aspire to work. Furthermore, the parts of the company which are certified according to environmental and working environment management standards are audited by external auditors. The audits reveal that the management systems are working as intended where they have been implemented and are efficient tools that prevent problems or offer a professional approach to deal with problems or inadvertent incidents.

Ongoing reporting of resources, waste and other effects on the environment and working environment ensures that Danfoss, at all times, has an overview of the performance in the global organisation.

A large proportion of this information is reported to the corporate environmental function, which reviews the figures and formulates the environmental section in the Danfoss Annual Report.

Danish Standards performs an annual audit of the environmental report to verify that it gives a true and fair view of Danfoss' impact on the environment and the working environment.

Employee involvement

Danfoss' environmental policy requires that group activities are planned and conducted out of consideration for people, the working environment and the community.

In order to have a successful environmental policy, employees must take responsibility for the environment and appreciate that the resources in Danfoss should be used as effectively as possible and with the least possible waste.

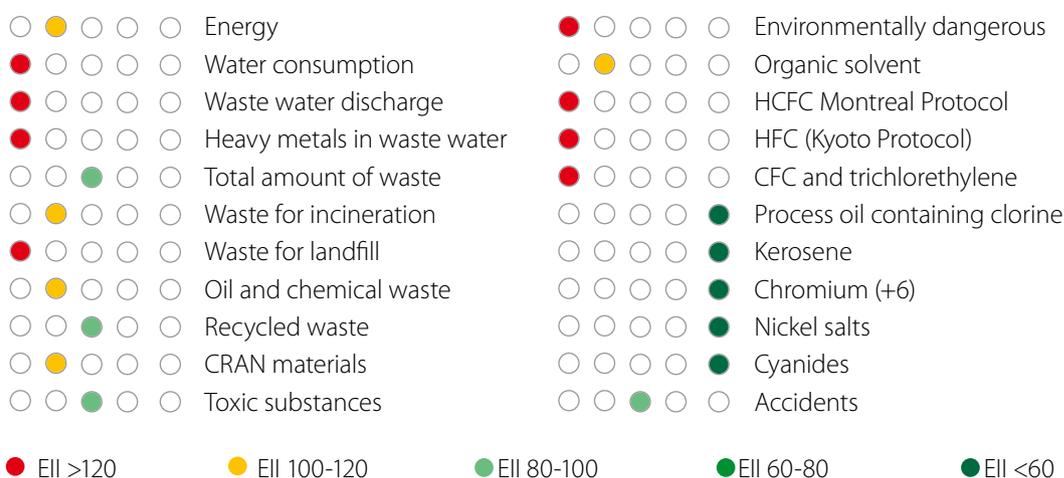
Danfoss continuously appeals to the environmental consciousness of its employees. Examples of employees' involvement in environmental activities include: education and training, keeping things in good order in the production, maintaining the environmental standard when outsourcing of the production and, finally, placing environmental demands on the suppliers.

Co-responsibility is a key word in the structuring of Danfoss' environmental activities. If the group targets concerning improved environment and working environment are to be realised, the employees must be seriously involved in the efforts.

To this end, Danfoss sets up cross-organisational working teams to a great extent when dealing with specific issues, such as ergonomics or noise.

Danfoss educates and trains employees on an ongoing basis to update them on the most recent knowledge so they have the best

Environmental indicators



possible qualifications for further improving the group environmental and safety issues.

The offer of education is adapted to local needs and amounted to more than 44,400 hours in 2008, equalling an increase of 35% compared with the previous year. The increase proves that education and training remain extensive in the individual Danfoss companies.

Corporate environmental targets

In the period 2006-2008, Danfoss set some overall targets for the group's environmental results. The targets are set to ensure continuous monitoring of whether the selected areas are decreasing compared to the group's total activity level. In other words, the efforts target a drop in the consumption of, for example, electricity, water or hazardous chemicals used per product.

The results of focus areas at the end of 2008:

	Realised index (EII)			
	2004	2006	2007	2008
Energy	100	106	108	114
Water	100	126	134	142
CRAN substances	100	115	107	107
Solvents	100	104	86	101
HFC gases	100	193	231	238
Waste	100	99	96	97
Frequency of accidents	100	83	79	86

Note: EII reflects the relative environmental impact and is calculated by comparing the consumption with Danfoss' activities (growth).

As the chart shows, the improvements anticipated for energy, water and HFC gases consumption were not achieved. One reason is that Danfoss has acquired a number of companies since 2004 which consume relatively large volumes of energy, water and HFC and which were not included in the environmental accounts in 2004.

The targets will be discontinued over the next years; they will be replaced by Danfoss' focus on climate, energy consumption and emission of CO₂.

Environmental issues at the factories

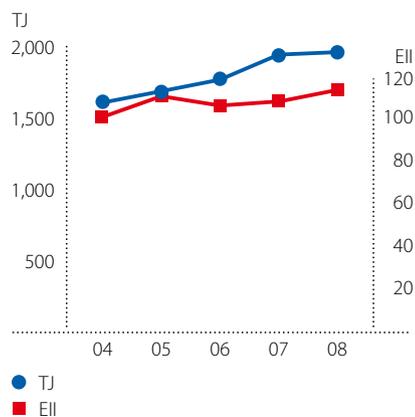
The following section deals with the most significant indicators of Danfoss' resource consumption, waste, chemical substances etc. The most important indicators ("traffic lights" indicate the development of the relative impact since 2004) will also be commented on. Green represents a positive trend, whereas red represents a comparatively increasing impact on the environment in 2008 compared with 2004.

Please refer to the GRI table and the table showing significant environmental parameters at the end of the Danfoss Annual Report for further information about Danfoss' environmental results.

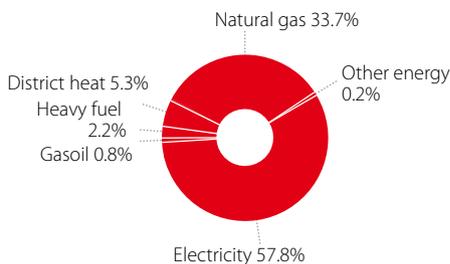
Raw materials and auxiliary materials

The majority of raw materials that Danfoss consume include metals, plastics, electronics and packaging.

Energy consumption



Distribution of energy sources



Steps are continuously taken to reduce the consumption of raw materials and other resources, by optimising the size of products, and also through improvements to production and quality to reduce the waste of materials.

The group's total raw materials consumption has dropped by 4% since 2007. The raw material volumes appear in the table on page 168.

A range of required auxiliary materials necessary for production are not included in the finished product. These are typically cutting oils and refrigerants, and materials for washing and cleaning parts.

The cooling and lubrication used for metal treatment required 669 tonnes of cutting fluids in 2008, which is a decrease of 18% compared with 2007. The compressor factories in Germany and France as well as Danfoss Hago and Scroll Technologies in USA contributed particularly to the reduction.

Energy

Electricity represents the biggest proportion (58%) of Danfoss' total energy consumption. The power consumption remained the same as 2007.

In 2008, all Danfoss plants – except two sites in Eastern Europe – recorded the sources of the energy they consume, such as wind, bio-mass or hydro-power. Keeping records is vital for the calculation of the group's total emission of greenhouse gases.

18.7% of the total electricity consumption is generated by renewable sources like solar, water, wind and bio-mass. Electricity from nuclear power accounts for 19.4% of corporate consumption, while the remaining electricity is generated by fossil fuels such as coal, oil and gas. Proportionally, coal is still the largest source of electricity, equalling 45.4% of the total power consumption.

98.6% of the energy consumption for heating stems from fossil fuels, of which natural gas is by far the largest source.

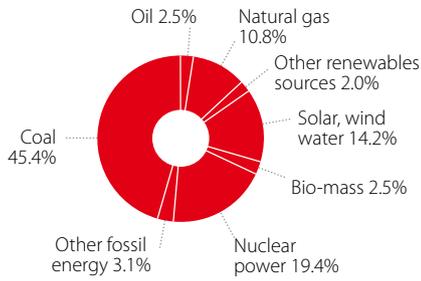
Examples of energy savings

Thanks to a more efficient use of the air conditioning system, Danfoss' plant in Tianjin, China, saved 100,000 DKK. Adjusted lighting and attention to the power use of machines has resulted in additional savings of 300,000 DKK in 2008.

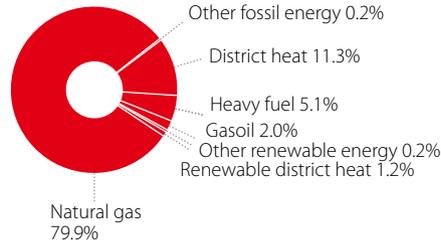
The compressor factory in France has introduced energy-saving measures within air conditioning, ventilation and related areas, which has led to savings of more than 4 mil. kWh since 2005, reducing CO₂ emission by almost 900 tonnes.

Danfoss Drives' factory in Loves Park, USA, is working on a very ambitious plan to obtain the American LEED certification of its premises. The LEED certification is an independent third-party verification to ensure that construction projects comply with the highest standards regarding

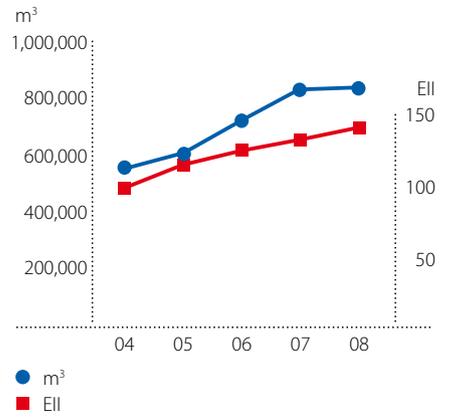
Consumption of electricity per source



Consumption of other energy



Water consumption



environmentally-friendly and energy-efficient construction. More than 14,000 LEED projects exist in the USA and 30 other countries globally.

The factory in Loves Park expects to carry out the certification in 2009. Goals include: to reuse 75% of the construction waste from the expansion of the plant; to reduce water consumption by 20%; to discontinue the use of pesticides; and to reserve special parking for fuel efficient cars and for employees who car-pool.

Water, wastewater and waste

The group's consumption of water remains the same as 2007.

The consumption of groundwater remains 60% of the total volume of water, while the remaining part is surface water from lakes or water reservoirs and re-used water from other external sources.

Industrial wastewater is discharged from around one third of Danfoss' plants and the total volume of industrial waster increased by nearly 2% in the period from 2007. Expectations are that the volume will drop in 2009 as a result of the divestment of the Surface Treatment Factory in Nordborg. The Surface Treatment Factory was divested in October 2008, so wastewater used in surface treatment is included in the 2008 environmental accounts, as it is not possible to split up the accounts.

The heavy metals discharged via the wastewater in 2008 account for 185 kilos, which

equals decrease of 3% compared with the previous year.

The volume of waste decreased by 4% in 2008 compared with the previous year. The recommended disposal continues to be recycling of waste, and more than 80% of waste was recycled in 2008. 90% of the recycled waste consists of metal waste from processing machines, among others.

Only 2% of the total waste volume is incinerated while 14% is oil and chemical waste. The volume of chemical waste remains unchanged.

Use of refrigerants

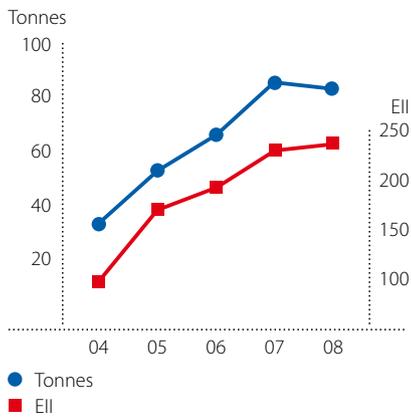
Danfoss uses the refrigerants HCFC and HFC for the production or testing of a range of products. Approximately 85% of the refrigerants are collected and reused. The record in this report shows the total purchased volume of greenhouse gases, independent of whether or not they are emitted into the atmosphere.

The consumption of HCFC in Danfoss' plants amounted to 8.8 tonnes in 2008. Consumption fell by 13% compared to 2007, primarily as a result of reduced consumption at Scroll Technologies in USA and Danfoss' factory in Mexico.

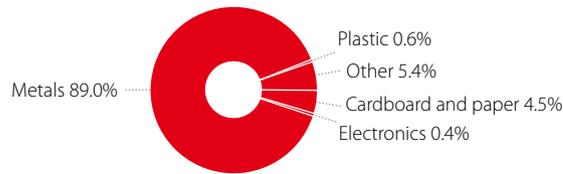
The volume of HFC gases fell by 2% compared to previous year.

CFC is used only for laboratory purposes at Household Compressors in Slovenia (16 kilos in 2008) and at the central laboratories in Nordborg (45 kilos in 2008).

HFC



Recycled waste



The refrigerants CFC and HCFC are ozone depleting and Danfoss' consumption has an ODP (Ozone Depleting Potential) of 533 kg CFC-11 equivalents. CFC, HCFC and HFC all contribute to global warming and Danfoss' consumption has a GWP (Global Warming Potential) of 178.000 ton CO₂ equivalents.

Danfoss and REACH

Danfoss set up a working group to ensure the necessary evaluation and implementation of EU's very extensive chemical reform, REACH (Registration, Evaluation, Authorisation and restriction of CHemicals).

Danfoss aims to fully comply with the requirements of the REACH regulation and make sure that customers and suppliers are informed and involved as far as necessary in the evaluation and possible registering of chemicals.

Danfoss' plants located in the EU do not import or produce chemicals, oils or metals for re-melting which come from countries outside the EU. Also, Danfoss does not produce or import articles with intentional release of chemicals while in use, which means that Danfoss is only considered a downstream user in a REACH context.

Negative list of chemical substances

Potentially harmful substances are substances and materials which can pose a risk to humans or the environment. The substances are used

in the manufacturing of products and if they cannot directly be dispensed with or replaced, they must be utilised as efficiently as possible and measures must be taken to protect the employees and the environment.

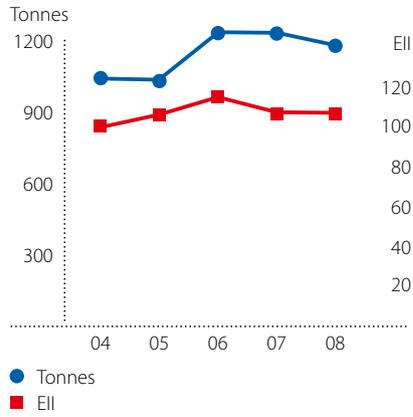
Danfoss maintains a list of chemical substances which are prohibited in Danfoss and which suppliers are required to phase out as soon as possible. The list is called the Negative List.

Danfoss' Negative List forms the cornerstone of efforts and most of the factories target the reduction of harmful substances. The Negative List is a vital guideline in the development of products to make sure that unwanted substances are not applied in the production or filled in Danfoss' products.

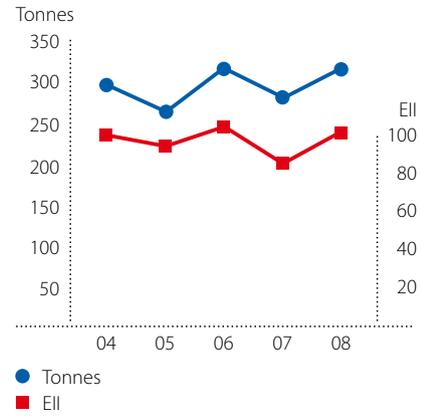
To safeguard that Danfoss has the required competencies, 40% of the plants offer newly appointed development engineers training in how to use the List. The Negative List is also applied in dialogues with suppliers, and an internal survey conducted at the plants showed that the List is implemented in the majority of purchasing functions at Danfoss.

The interviews with the core suppliers showed that 68% of the purchasers hand out the Negative List together with general quality agreements or separately. The same survey disclosed that Danfoss verifies the supplier's compliance with the requirements of the Negative List by demanding they sign or by carrying out own audits or third party audits.

CRAN substances



Organic solvents



CRAN substances

CRAN is the overall term for substances which are unwanted because they are carcinogenic (C), harmful to the ability to reproduce healthy children (R), cause allergies (A) or harm the central nervous system (N). Examples of materials containing the CRAN effect are glue, moulding masses, paint or detergents.

An internal survey conducted at Danfoss' plants show that two thirds of the plants include the target of phasing out of CRAN substances in their environment management system. The Danfoss Group's total use of CRAN substances has dropped by 4% since 2007, which equals 50 tonnes. This amount includes 40 tonnes used by the Surface Treatment Factory in 2007; the rest originates from the substitution of substances. The Surface Treatment Factory, which belonged to Danfoss Automatic Controls, was divested to Sønderborg Fornikling A/S with effect from September 2008. The relocation to Sønderborg Fornikling is expected to be completed in April 2009. In cooperation with the municipality of Sønderborg, the area is surveyed and assessed for any pollution on the site. The divestment of the Surface Treatment Factory supports Danfoss' overall wish to focus on its core competencies.

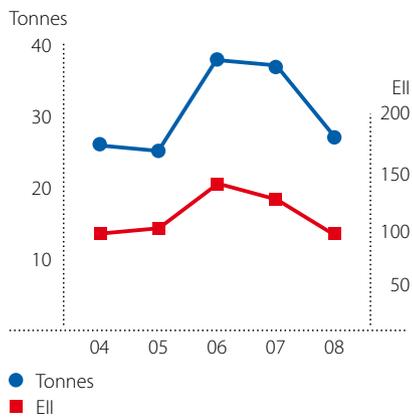
Sønderborg Fornikling has competencies within surface treatment and the production takes place under environmentally-friendly conditions. Since the divestment of the Surface Treatment Factory took place in 2008, the environmental impact of the activities is no longer included in the Danfoss A/S environmental accounts. This is in accordance with the guidelines, but it gives a different picture of the consumption of the CRAN substances and toxins such as cyanides and chrome which have not been used since 2008.

The refrigerants CFC and HCFC are ozone depleting and Danfoss' consumption has an ODP (Ozone Depleting Potential) of 533 kg CFC-11 equivalents. CFC, HCFC and HFC all contributes to global warming and Danfoss' consumption has a GWP (Global Warming Potential) of 178.000 ton CO₂ equivalents.

Solvents

Organic solvents are absorbed through the respiratory system and skin and can result in permanent injuries. Danfoss has stopped using large quantities of solvents in their pure form, except for the solvent trichloroethylene (TRI) which is used for degreasing at Danfoss Chatleff in USA. Danfoss acquired Chatleff at the end of 2007 and the company reported data for the

Substances toxic to man



environmental accounts for the first time in 2008. In 2008, Chatleff's consumption of TRI was 4,491 kgs. Danfoss Chatleff has prepared a plan to phase out TRI and replace it with less hazardous detergents. The company expects to stop the use of TRI at the end of May 2009.

Toxic substances

Toxic substances are chemicals which have an acute lethal effect when handled incorrectly. These are primarily nitrite and cyanides which are used in surface treatment systems in Mexico and Nordborg. The employees have received training in how to correctly handle the substances and in Nordborg, consumption has ceased as a result of the divestment of the Surface Treatment Factory.

The group's total consumption of toxic substances amounted to 27 tonnes in 2008, which is a decrease of 26% compared to the previous year.

Environmentally dangerous substances

Environmentally dangerous substances have a harmful effect on plants, animals, water, water organisms and the ozone layer. At Danfoss, environmentally dangerous substances are primarily oils that are stored in sealed systems with waste trays which limit the discharge to

the surrounding environment as much as possible.

Danfoss used 262 tonnes of environmentally dangerous substances in 2008, a decrease of 9% compared to 2007. An increase only took place at Danfoss' plant in Tianjin, China, which increased consumption by 16 tonnes. The remaining plants reduced their consumption by a total of 42 tonnes, equalling 22% of their consumption.

Violations of environmental regulations

Danfoss believes that transparency about environmental issues is an important element of a good relationship with neighbours and the authorities. The factories have entered into agreements with the environmental authorities and local regulations are observed.

Infractions of environmental permissions or regulations occurred 30 times, 18 at the factory in Nordborg where the company exceeded the required concentration of nickel and the required acidity of waste water was exceeded for a period of 24 hours. Approval has been given for an evaporation system, which will considerably reduce the number of violations.

The remaining violations do not have any impact on the environment.

Product responsibility

When applied, the majority of Danfoss' products are in themselves not hazardous, but they can be used as components in end products which could pose a risk to the environment.

The risk is monitored and controlled using quality and environment management systems that include suppliers, as well as Danfoss' production and product development.

The system is designed to ensure consistent high quality and limit environmental and working environmental impacts caused by production, application and disposal of Danfoss' products.

For many years, Danfoss has had rules for how business units handle product liability and safety. The rules are included in corporate standards for product liability and recall of defective products. Together with Corporate Risk Management, the management of each business unit must make sure that no products, processes or services lead to injuries to people or equipment. This applies to installation, storage, use and disposal.

Chinese customs chase Danfoss copies

The customs authorities in China have begun to seize counterfeit products before their export. But, it is often difficult to differentiate falsified products from genuine products.

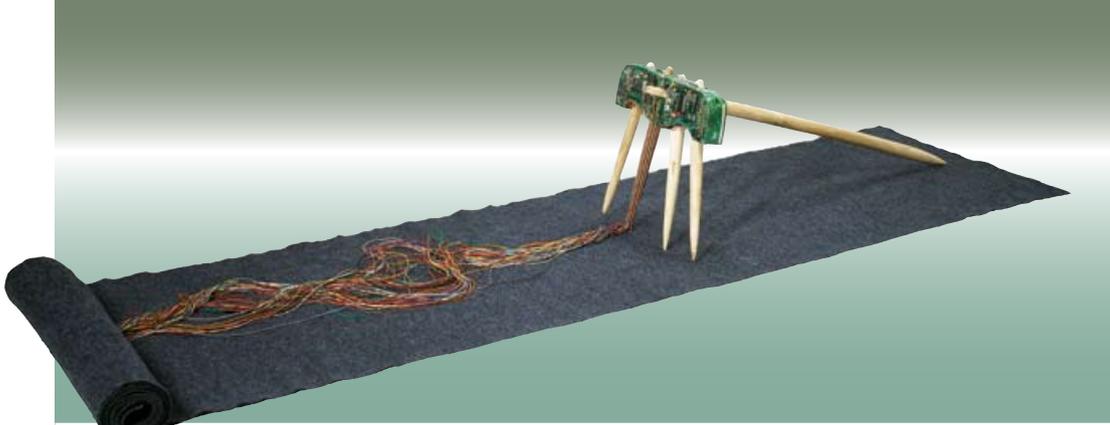
The Danfoss logotype has gradually become well-known with the Chinese customs officers in a range of ports of shipment, and has been supplemented by intensive training.

Most recently, Chinese customs officers withheld goods with the Danfoss logotype, and they were all counterfeit products. The motherload was 6,900 filter dryers used in refrigeration and air-conditioning systems. Danfoss in China employs lawyers to fight the counterfeiting, in cooperation with the Patent and Trademark Department in Nordborg.

Danfoss has made its mark via the Quality Brands Protection Committee, which is an interest organisation for foreign producers. The organisation cooperates with the Chinese ministry of external trade and therefore has a high degree of attention of top-level Chinese politicians.

Danfoss believes that the Chinese authorities take the problem very seriously and are aware of the negative consequences of counterfeiting: the existence of a number of low-quality products in China; and the continuing image of China as a place where everything is copied.

In a seizure procedure, the assumed injured party must provide a financial guarantee upon which the party has a few days to prove that the products are false.



SANDIP PISKALKAR

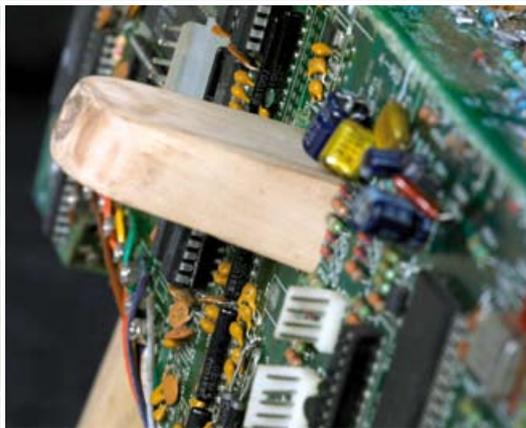
Indian
"Dataar 2"

The Maharaja Sayajirao
University of Baroda,
Baroda, India
Sculpture (7th year)

Gold Award



Old and new meet in "Dataar 2" in a startling blend of history and high-tech. What seems familiar at turns out to be made of unexpected materials, offering a fresh look at the relationship between history and technology.



The Patent and Trademark Department has therefore prepared proposals which specify how Danfoss can label its products using state-of-the-art labelling technology. It is possible to copy Danfoss products and product labelling, so it is often difficult to spot the difference. At the same time, the pirates have become more skilled and it is necessary for Danfoss to improve the labelling to ensure easy recognition of genuine products. The labelling proposal includes nano-technology, advanced holograms and micro-printing, among other things.

Assisted by Beijing West City Administration of Industry and Commerce, Danfoss representatives raided one of the streets in Beijing where numerous refrigeration shops are located in June 2008. Seven shops were visited simultaneously and filter dryers and expansion valves were seized.

Closer inspection showed that the shops had been selling both counterfeit and genuine Danfoss products. The shop owners will be fined.

Danfoss has carried out several actions in the past against agents and producers of counterfeit Danfoss products in order to protect its rights.

Danfoss' sponsorship policy

Danfoss aims to sponsor forward-looking initiatives for the benefit of the company and others located in the local areas where Danfoss operates.

In Denmark, sponsorships are granted to cultural, sport and environmental associations, such as the outdoor annual concert 'En søndag på Als' held in the park surrounding Augustenborg Palace, Sønderjysk Elitesport A/S and the Danish national icehockey team.

Danfoss supports recognised and established organisations, for example sports clubs with a primary affiliation to Danfoss' employees or other stakeholders in the areas where Danfoss is present.

Sponsorships are a significant element of Danfoss' visibility and, therefore, it is vital that sponsorships are in keeping with Danfoss' Core Values. Examples include sponsoring CopenMind, Nordic Climate Solutions and the COP 15 summit in Copenhagen.

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.

Through sponsorships and other forms of support, Danfoss wants to increase awareness of the company and its products to the general public.

This happens via activities such as:

- An efficient build-up of the company profile and awareness
- Establishing knowledge of and preference for Danfoss and its products
- Commitment and pride among current and future employees
- Access to interesting events for stakeholders, including customers and employees.

Danfoss aims for:

- Harmony between the target groups of the sponsorship and Danfoss
- An obvious link between the sponsorship and Danfoss
- Recipients of sponsorships that represent the Danfoss Values
- Few extensive and long-term sponsorships
- Active use of sponsorships, internally and externally

Danfoss sponsors:

- Elite before general interests
- Teams or groups before individuals

Danfoss does not sponsor:

- Motorcross 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
- Projects which are closely linked with Danfoss' competitors.

Danfoss employees with outstanding performance within special areas have preferential positions.

Accounting principles, CSR

Collecting data

Data in the CSR section of Danfoss' Corporate Citizenship report is collected via four channels:

- An annual electronic questionnaire (CSR survey) distributed to all of the group's factories and sales companies
- Factory visits during which data is collected using observation, interviews and dialogues
- Supplier data is gathered in SCoCIS (Supplier CoC Information System), a database maintained by Global Procurement
- Data on supplier conditions is also collected from Danfoss' purchasers who are interviewed about their experiences with activities in the supplier chain.

The accounting period is from January 1 until December 31, 2008.

Reporting guideline

Since 2003, Danfoss has conducted an annual CSR survey about human rights, labour rights, business ethics and anti-corruption of all of the group's factories and sales companies. The results are reported to the respondents and the Executive Committee. 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.

In 2008, Danfoss applied the guidelines of the Global Reporting Initiative (GRI) for the first time. This took place for the sake of transparency and completeness in the reporting of the results relating to HR, CSR and

environment. Organisations are free to decide whether they want to adopt the guidelines when reporting economic, environmental and social dimensions of their activities.

The GRI table on page 170 includes a list of the indicators covered by the Corporate Citizenship report.

Since Danfoss has signed the UN Global Compact, the company is under an obligation to prepare an annual Communication on Progress (CoP) for UN. The paper discusses the work with human rights, labour rights and anti-corruption. Danfoss' CoP is the Corporate Citizenship report.

Preparation of accounting principles

In 2008, Danfoss began to collaborate with PricewaterhouseCoopers on the review of the company's Corporate Citizenship reporting with respect to the guidelines of GRI. The CSR survey was reviewed to improve interview techniques and the validation of data and accounting principles (description of data collection and calculations) have been prepared for all of the social indicators that are incorporated in the CSR survey. In connection with the preparation of the accounting principles, the company has applied the reporting guidelines and principles as defined by GRI, concerning materiality, involvement of stakeholders and completeness.

Any GRI-related activity must aim for balanced, reliable results that are comparable over time. At the same time, the work with GRI has prepared the way for Danfoss to eventually report at a higher level which would facilitate external verification of Danfoss' entire Corporate Citizenship report.

CSR data

The Corporate Citizenship report's section on social responsibility covers data describing handling of recruitment

and the right to privacy (recruitment processes), the collection of personal information, the use of health tests and the number of discrimination cases. The report also includes data on: the scope of child labour, youngsters at work, the freedom to unionise, maximum number of working hours and the use of imprisoned labour.

Other data covers corruption and bribery which involves, among other things, the data concerning grey areas such as size of gifts etc.

Unethical conduct is treated separately in the report. The report deals with the number of dismissals and voluntary resignations caused by the violation of the company's ethical guidelines or other policies.

Data about Danfoss' interaction with the community concerns the number of complaints received from the local community in which it operates. It also deals with the scope and worth of charitable donations made.

CSR survey and calculation methods

The CSR survey 2008 was distributed to 108 contact persons: Presidents or General Managers who were asked to fill in the questionnaire on behalf of all of the group's 137 factories and companies. Due to the Danfoss organisational structure, there are fewer respondents than companies: all of the sales companies are organised in Global Business Service (GBS) where shared administrative functions, such as HR, are the responsibility of a GBS manager who, thereby, covers several countries.

The factories are asked more questions than the sales companies and where the factory and the sales company are located at the same site, the plant manager is asked to reply on behalf of both.

Of the 108 recipients of the CSR survey, 104 responded, covering 125 companies which employ a total

of 20,800 of the group's employees. Therefore, more than 95% of the Danfoss Group's employees are covered by the survey.

The CSR section of the Corporate Citizenship report covers all of the companies in which Danfoss had the controlling interest throughout 2008. Companies which were acquired in 2008 will be included in the 2009 CSR section.

The CSR survey as a tool

The Danfoss CSR survey uses SurveyXact designed by Rambøll Management. All relevant information about the respondents are transferred to SurveyXact; country, company code, e-mail addresses and the number of employees.

The number of employees is gathered from HR SAP.

Two Danfoss companies do not use HR SAP and have, therefore, been individually informed about the number of employees in the CSR survey.

Validation, consolidation and calculation

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 analysed in a spreadsheet and form the basis for the survey conclusions. The internal reporting of social issues also includes a wide range of graphs.

Factory visits

During a calendar year, visits are paid to the factories, gathering information about environmental and social issues in Danfoss' companies.

Some of the information in the Corporate Citizenship report is based on reports, minutes and e-mail correspondence relating to the factory visits.

In 2008, eight factory visits were performed in: Finland (1), Denmark (3), USA (3) and Mexico (1). The CSR function also paid a visit to two suppliers; one is located in Mexico, and one who does business in a prison in the USA.

Accounting principles, environment

Data in the Environmental Accounts

The Danfoss Environmental Accounts cover input data in the form of raw materials, energy, water and potentially harmful substances and output data in the form of wastewater, heavy metals, and waste. The factories report on these data once a year. Other outputs in the form of emission of flue gases are centrally calculated, cf. the calculation principles later in this document.

In addition to the aforementioned environmental data, the factories must report the number and type of accidents and if they have exceeded the terms of the environmental approvals or other agreements with the environmental authorities.

The data are collected by Danfoss' Corporate Environment Function. Data from the factories are collected and reported according to defined procedures and in a standardised format. The development of the environmental data is monitored constantly.

A corporate standard defining the data collection and data formats is maintained including definitions of quality control of data.

Standards and databases

The foundation of the reporting of data for the group Environmental Accounts is available in two Danfoss standards: The first, "Corporate Environmental Reporting" (corporate standard 500B0806), defines the general guidelines for reporting of data. The second, "Reporting of raw materials, auxiliary materials and potentially harmful substances" (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 work to provide valid data to be used in the Environmental Accounts, a group environmental reporting seminar is held once a year and training also takes place during factory visits.

The factories must report a total of 103 different parameters (data types) via Hyperion Financial Management (HFM), which is also used for reporting of financial figures in the group. To ensure a uniform and valid reporting of data, guidelines and help texts are available for each parameter.

Accounting principles

The overall principles of the preparation of the accounts are materiality, relevance and transparency.

Environmental Impact Index (EII)

The Environmental Accounts include an environmental impact index (EII), to express the group's relative environmental impact. EII reflects how efficiently resources are used and of the group's ability 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 follows:

$$EII = \frac{\text{index for environmental data}}{\text{index for activity (production)}}$$

Environmental data and activities are compared to 2004, for which the index is 100, since the accounts show environmental data for the past five years. The activity index is calculated on the basis of the raw material consumption level, since the latter best reflects the size of the production.

Danfoss is a growing enterprise, and consequently the company's environmental impact is growing in absolute terms. Most figures in these accounts show both the relative and

absolute development of the group's impact on the environment.

Increases in the consumption level, which exceed the group's total activity development, will be reflected in an increasing relative environmental impact in the shown charts.

Calculation of consumption

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 26 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 have been added as a new category in 2005 and consist of cutting fluids and cleaning agents used in production processes.

Potentially harmful substances

The materiality criterion of potentially harmful substances in the Environmental Accounts 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.

15 substance groups exist in the potentially harmful substances category. Some substances are found in several substance groups, for example the chlorinated refrigerants HCFC, HFC and CFC, which, apart from being individually reported, are also included in the group of organic solvents. Danfoss has selected this approach to show the development in consumption of the substances that are particularly important in the public environmental issues debate but also to emphasise that the substances often have several characteristics.

The CRAN substances are stated according to national law on the labelling of substances, to ensure best possible coherence with the factories' environmental management systems.

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 audit (refer below).

Internal audit of data prior to consolidation

An internal audit team 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 51 reporting entities. Some factories are split into several reporting entities (mostly located in Nordborg and China). 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.

Due to the fact that Danish factories have access to Danfoss' Material Safety Data Sheet system, separate calculation of the factories' consumption of potentially harmful substances is made. The calculation is centrally made since the data are compared with the central consumption database and the Danish Material Safety Datasheet database.

Central reporting of wastewater emission data, energy and water consumption and consumption of piped media is performed for the factories in Nordborg, since these are shared facilities. Examples of piped media are petroleum and spirits. Subsequently, these data are checked and consolidated with other data on group level.

Calculation of flue gas emissions

The calculation of flue gas emissions is made on basis of the energy consumption multiplied by relevant emission factors. The source of the emission factors is the Danish Energy Agency and World Resources Institute/ IPCC. 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. For factories unable to supply this information, the calculations

will be based on EU standards, where about half of all electricity is manufactured from fossil fuels.

Average considerations like these do not accurately reflect the actual conditions, but Danfoss believes that this amounts to a distinct improvement when it comes to showing the environmental impact from the group's production plants.

Transport

The environmental impact of internal transport is not included in the Environmental Accounts 2008. 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.

Factories included in the environmental accounts

The accounts include all the factories of which Danfoss had the majority share throughout 2008. Danfoss' Surface Treatment factory in Denmark is not a part of the statement in 2008. Danfoss Solar Inverters in Denmark and Danfoss Chatleff in USA are new in 2008.

Divisions' environmental conditions

Danfoss' Divisions have, to a large extent, similar environmental conditions and impact: consumption of resources, substances and materials and generation of waste and emissions.

It would not be logical to detail each Division's environmental impact. However, if specific environmental impacts in the Divisions influence the overall environmental impacts in the group, they will be described in this report.

External verification

External, independent third-party verification of the environmental accounts is performed. As the factories gain more experience with environmental management, Danfoss has extended the area of external verification to include all Danfoss factories globally. The verification is performed as spot checks, site audits and in the form of verification of the applied data reporting procedures.

All factories are subject to third-party verifications.

Audit endorsement, environment

The conducted audit

We have systematically reviewed the recorded information, calculations, and disclosures in the environmental section of the Corporate Citizenship Report for 2008 for the Danfoss Group.

The audit has been performed in accordance with generally accepted principles and standards.

The audit has been planned and performed to ensure to a high degree that the environmental part of the Corporate Citizenship Report does not contain significant misinformation.

The audit has been performed through extensive review of the accounting material and through extensive random sampling of the accounting material for selected group factories.

The audit also includes assessing the accounting principles used, the quality of Danfoss' internal audit of data and an

Nordborg, February 19, 2009

evaluation of the overall presentation of the environmental part of the Corporate Citizenship Report. It is our opinion that the audit provides a sound basis for our conclusion.

Conclusion

In our opinion, the Environmental Statement and Accounts give a true and fair presentation of the environmental impacts from activities at the Danfoss Group's factories.

Factories in Denmark, England, France, China, Slovakia Slovenia, Germany and USA have been subjected to audit.

For the factories that have not been subjected to audit, we have assessed the procedure used for collecting data.

Steen Chr. Larsen
Lead auditor
DS Certificering A/S

Tommy Lund
Lead auditor
DS Certificering A/S

Significant HR parameters

Headcount per region	GLOBAL	Denmark	EMA	NAM	LAM	CHINA	APA
End of 2008	22,133	6,150	10,351	2,365	227	2,591	450
End of 2007	22,323	6,465	10,403	2,626	220	2,152	457
Headcount per employment type	TOTAL	Executi- ves	Managers	Salary paid	Hourly paid	Trainee Appren	
End of 2008	22,133	103	2,252	8,210	11,165	403	
Employees & managers per gender (%)	GLOBAL	Denmark	EMA	NAM	LAM	CHINA	APA
All employees - Males	67	64	69	65	83	69	69
All employees - Females	33	36	31	35	17	31	31
Managers - Males	83	87	84	82	83	72	72
Managers - Females	17	13	16	18	17	28	28
Employee categories by gender	Males	Females					
Total	14,895	7,238					
Executives	101	2					
Managers	1,855	397					
Salary paid employees	5,601	2,609					
Hourly paid employees	7,046	4,119					
Trainees/ Apprentices	292	111					
Employee categories by age group	15-24	25-34	35-44	45-54	55+		
Total	1,972	7,043	5,607	4,993	2,518		
Executives	-	-	28	38	37		
Managers	8	469	949	592	234		
Salary paid employees	332	3,022	2,426	1,497	933		
Hourly paid employees	1,312	3,484	2,190	2,866	1,313		
Trainees/ Apprentices	320	68	14	-	1		
Manager national origin (%)	Denmark	China	Germany	France	USA	Slovenia	Others
Executives	71.7	2.0	7.1	3.0	2.0	3.0	11.2
Total managers	29.7	9.5	7.5	6.4	6.7	4.8	35.4
Employee turnover by region (%)	GLOBAL	Denmark	EMA	NAM	LAM	CHINA	APA
Total turnover	19.5	21.5	15.9	31.2	20.1	17.2	17.2
Voluntary resignation	6.8	9.4	3.4	13.0	6.8	7.3	11.7
Employee turnover by service length (%)	TOTAL	0-2	2-4	5-9	10-19	20+	
Total turnover 2008	19.5	33.4	14.3	12.4	7.0	8.6	
Voluntary resignation rate 2008	6.8	11.3	7.2	5.0	2.4	0.9	
Employee turnover by employee group (%)	TOTAL	Executi- ves	Managers	Salary paid	Hourly paid	Trainee Appren	
Total turnover 2008	19.5	8.2	8.0	13.3	24.3	71.8	
Voluntary resignation rate 2008	6.8	3.1	3.8	6.9	6.8	22.5	
Employee turnover by age group (%)	TOTAL	15-24	25-34	35-44	45-54	55+	
Total turnover 2008	19.5	14.5	25.0	16.6	14.3	26.7	
Voluntary resignation rate 2008	6.8	4.3	8.7	7.0	5.7	5.1	
Employee turnover by gender (%)	TOTAL	Males	Females				
Total turnover 2008	19.5	18.7	21.1				
Voluntary resignation rate 2008	6.8	6.9	6.7				
Absence rate per region (%)	GLOBAL	Denmark	EMA	NAM	LAM	CHINA	APA
Total absence rate	4.0	4.3	4.6	2.3	0.4	1.1	1.4

Total EDDs completed (%)	GLOBAL	Denmark	EMA	NAM	LAM	CHINA	APA
Dialogues 2008	63.4	82.1	52.4	78.9	31.7	46.6	69.2
Dialogues 2007	65.9	82.5	54.0	70.0	64.2	66.6	70.5
Manager EDDs completed (%)	GLOBAL	Denmark	EMA	NAM	LAM	CHINA	APA
Dialogues 2008	69.5	83.6	73.7	73.5	41.8	29.9	71.7
Dialogues 2007	74.2	81.5	70.3	71.1	78.1	71.0	81.4
Leadership development per region (%)	GLOBAL	Denmark	EMA	NAM	LAM	CHINA	APA
Share of managers 2008	70.6	76.5	65.9	90.9	69.1	55.7	69.7
Share of managers 2007	69.3	84.1	58.6	72.0	65.6	72.2	62.9
Leadership training (participants days)	TOTAL						
No. of days 2008	2,505						
No. of days 2007	815						
"Leading people at Danfoss" (participant days)	TOTAL						
No. of days 2008	488						
No. of days 2007	51						

Abbreviations:

EMA: Europe, Middle East and Africa

NAM: North America

LAM: Latin America

APA: Asia/Pacific

Significant environmental parameters

Energy	2004	2005	2006	2007	2008
Energy consumption (TJ)	1,626	1,689	1,777	1,940	1,965
EII - Energy	100	111	106	108	114
Natural gas (%)					33.7%
Electricity (%)					57.8%
Gasoil					0.8%
Heavy fuel					2.2%
Waste oil					
District heat					5.3%
Other energy					0.2%
Electricity	2004	2005	2006	2007	2008
Non renewables					
Coal					45.4%
Oil					2.5%
Gas					10.8%
Misc.					3.1%
Renewables					
Solar, wind					14.2%
Biomass					2.5%
Misc.					2.0%
Nuclear					
					19.4%
Water	2004	2005	2006	2007	2008
Water consumption (m ³)	558,031	607,567	722,762	829,793	839,069
EII - Water	100	116	126	134	142
Surface water consumption (m ³)					32.9%
Ground water consumption (m ³)					60.2%
Recycled water (m ³)					6.9%
Raw materials (tonnes)	2004	2005	2006	2007	2008
Iron	194,553	177,429	191,523	202,669	189,522
Stainless steel	3,903	3,714	4,013	5,474	4,971
Brass and copper (incl. alloys)	25,320	24,931	26,334	25,579	29,688
Aluminium and aluminium alloys	6,477	7,440	7,176	8,084	8,157
Other metals	69	225	285	168	164
PVC	637	661	796	684	723
Plastics with formaldehyde emission	185	240	243	276	228
Other plastics types (incl. rubber)	4,939	4,560	5,189	5,575	5,081
Electronic and electro-mechanical components	11,764	12,294	18,122	23,014	20,610
Printed circuits (with and without components)	289	281	369	366	453
Soldering materials (incl. leaded)	34	38	55	60	65
Wood (incl. Wooden pallets)	10,230	9,863	10,145	11,619	11,967
Packaging of cardboard and plastics	5,317	5,403	6,580	6,973	6,933
Other raw materials (incl. filling media and chemicals in products)	7,504	7,061	7,873	9,362	8,217
Group's total raw material volume	271,222	254,140	278,702	299,906	286,779
Auxillary materials	2004	2005	2006	2007	2008
Cutting fluids and coolants (tonnes)		517	594	816	669
Cleaning agents used in processes (tonnes)		256	315	465	396
Potentially harmful substances	2004	2005	2006	2007	2008
CRAN materials (tonnes)	1,040	1,030	1,229	1,226	1,177
EII - CRAN materials	100	106	115	107	107
Substances toxic to man (tonnes)	26	25	38	37	27
EII - Toxic substances	100	103	141	128	98
Dangerous for the environment (tonnes)	192	151	232	288	262
EII - Dangerous for the environment	100	84	118	136	129
Organic solvents (tonnes)	296	264	316	281	316
EII - Organic solvents	100	95	104	86	101
SO ₂ (tonnes)	59	57	59	62	60
EII - Sulphur dioxide	100	103	97	95	97
NO _x (tonnes)	247	256	271	296	301
EII - Nitrogen oxides	100	111	107	108	115
CO ₂ (tonnes)				179,216	180,139

Potentially harmful substances (continued)	2004	2005	2006	2007	2008
HCFCs (tonnes)	3.2	5.6	4.7	10.1	8.8
EII - HCFC	100	187	144	285	260
HFCs (tonnes)	33	53	66	85	83
EII - HFC	100	172	193	231	238
CFC/TRI (tonnes)	0.6	0.2	0.1	<0.1	4.6
EII - CFC/TRI	100	34	14	5	703
Chlorinated oils (tonnes)	12.5	11.2	9.1	9.5	6.7
EII - Chlorinated oil containing chlorine	100	96	71	69	51
Kerosene (tonnes)	60	45	53	31	28
EII - Kerosene	100	80	85	46	44
Hexavalent Chromiums (tonnes Chromium)	0,1	0,1	0,4	0,0	-
EII - Chromium (+6)	100	108	261	23	-
Nickel salts (tonnes Nickel)	4.8	4.4	4.1	4.9	1.8
EII - Nickel salts	100	98	83	92	35
Cyanides (tonnes)	5.8	6.0	6.7	5.5	-
EII - Cyanides	100	110	112	85	-
Waste water	2004	2005	2006	2007	2008
Discharged industrial waste water (m ³)	140,459	184,945	169,498	256,465	261,179
EII - Discharged industrial waste water	100	141	117	165	176
Heavy metals in waste water (kg)	79	133	104	192	186
EII - Heavy metals in waste water	100	180	128	221	223
Waste	2004	2005	2006	2007	2008
Waste (tonnes)	75,001	67,569	76,066	79,912	76,710
EII - Waste	100	96	99	96	97
Waste for incineration (tonnes)	1,493	1,579	1,514	1,668	1,776
EII - Incineration	100	113	99	101	113
Waste for landfill (tonnes)	1,736	1,294	1,454	2,882	3,201
EII - Landfill	100	80	81	150	174
Oil and chemical waste (tonnes)	9,693	8,647	10,479	10,829	10,828
EII - Oil and chemical waste	100	95	105	101	106
Waste for recycling (tonnes)	62,079	56,049	62,619	64,532	60,905
EII - Recycled waste	100	96	98	94	93
Accidents	2004	2005	2006	2007	2008
Number of accidents	313	298	292	312	330
Frequency of accidents	19.5	17.8	16.2	15.5	16.8
Total number of days of absence	4,788	4,282	4,406	5,438	6,864
Finger/Hand/Arm accidents					52.1%
Head accidents					9.1%
Legs/Feet accidents					20.6%
Other parts of body accidents					18.2%

GRI INDICATOR TABLE

	Compliance	GC principle	Page	Results/Comments
PROFILE				
Strategy & Analysis				
1.1	Statement from the most senior decision-maker of the organisation (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy			Global Compact statement of continued support
Organisational Profile				
2.1	Name of the organisation		3	
2.2	Primary brands, products, and/or services		2, 28	
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures		2, 116	
2.4	Location of organisation's headquarters		3	Nordborgvej 81, DK-6430 Nordborg, Denmark
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report		116	
2.6	Nature of ownership and legal form		65, 113	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)		28	Information in Annual Report
2.8	Scale of the reporting organisation, including: <ul style="list-style-type: none"> Number of employees; Net sales (for private sector organisations) or net revenues (for public sector organisations); Total capitalization broken down in terms of debt and equity (for private sector organisations); and Quantity of products or services provided 		4	Quantities not described
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 organisations) 		10	See Management Report
2.10	Awards received in the reporting period			Not described
Report Parameters				
3.1	Public policy positions and participation in public policy development and lobbying. (Core)		159	Reporting period is January 1 - December 31, 2008
3.2	Date of most recent previous report (if any)			Annual Report 2007 published on March 19, 2008
3.3	Reporting cycle (annual, biennial, etc.)			Annual
3.4	Contact point for questions regarding the report or its contents			Corporate Communications & Reputation Management, Chief Reputation Officer
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 organisation expects to use the report 			Detailed accounting principles are available on the Danfoss Group webpage under 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		159, 162	The report include all compagnies where Danfoss has an owner share exceeding 50% for the whole year 2008
3.7	State any specific limitations on the scope or boundary of the report		159, 162	See Accounting principles

GRI INDICATOR TABLE

	Compliance	GC principle	Page	Results/Comments
Report Parameters (cont.)				
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 organisations		159, 162	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)		159, 162	See Accounting principles
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report			No significant changes
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; • Organisational 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	
Governance, Commitments & Engagement				
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight			www.danfoss.com
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement)		17	Governance section on: www.danfoss.com
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members		18	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body <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 organisation level 'work councils', and representation of employees in the highest governance body 			Governance section on: www.danfoss.com
4.14	List of stakeholder groups engaged by the organisation			Information is not available at present
4.15	Basis for identification and selection of stakeholders with whom to engage			No formal basis is established

GRI INDICATOR TABLE

	Compliance	GC principle	Page	Results/Comments	
SOCIETY					
SO Community					
SO1	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)	Partly	1	124	Requirements in terms of how to operate is described in the Ethics Handbook that all leaders must sign
SO Corruption					
SO2	Percentage and total number of business units analyzed for risks related to corruption. (Core)	Full	10	123	All factories and sales companies are asked questions about corruption related risk in the annual CSR survey. Furthermore, country risk analyses are available for all the 25 countries where Danfoss has production facilities. The country risk analyses are updated on a regular basis and are used as a starting point for reviewing the current situation in terms of human rights, labour rights, community relations and corruption when visiting factories
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures. (Core)	Partly	10	123	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. During 2008, more than 300 Danfoss employees (mainly leaders) have been trained in ethics and/or anti-corruption
SO4	Actions taken in response to incidents of corruption. (Core)	Full	10	129	All presidents/general managers are asked questions about corruption and bribery in the annual CSR survey. All results of the Survey are sent to the respondents and the Executive Committee. If a risk or non-compliance occurs, the company in question will be asked to remedy the situation immediately
SO Public Policy					
SO5	Public policy positions and participation in public policy development and lobbying. (Core)	Partly	10	131	Danfoss has established a function; Corporate Public Affairs during 2008.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. (Additional)	Partly	10	129, 131	Danfoss' Ethics Handbook states that employees must not use Danfoss' letter head/e-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
SO Anti-Competitive Behavior					
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.(Additional)	Not reported	10		
SO Compliance					
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. (Core)	Full	7,8	10, 143, 155	All significant fines (if any) are mentioned in the Management Report section of the Annual Report. All breaches of laws are mentioned in the Environmental Part of the Annual Report
LABOUR PRACTICES					
LA Employment					
LA1	Total workforce by employment type, employment contract, and region. (Core)	Full		141, 166	
LA2	Total number and rate of employee turnover by age group, gender, and region. (Core)	Full	6	136, 166	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. (Additional)	Not reported	6		

GRI INDICATOR TABLE

	Compliance	GC principle	Page	Results/Comments	
LA Labour/Management Relations					
LA4	Percentage of employees covered by collective bargaining agreements.(core)	Not reported	3		
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. (Core)	Partly	3	We follow local law	
LA 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)	Full	1	79% of all companies have formal committees where all hourly paid employees are represented. In 3% of the companies, some of the hourly paid employees are represented while the remaining companies did not offer this. 70% of all companies have formal committees where all salary paid employees are represented. In 11% of the companies, some of the salary paid employees are represented in formal committees while the remaining companies did not offer this	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	Partly	1	142, 168	Danfoss report the frequency of accidents as well as the severity of the accidents
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.(core)	Not reported	1		
LA9	Health and safety topics covered in formal agreements with trade unions.Health and safety topics covered in formal agreements with trade unions. (Additional)	Not reported	3		
LA Training and Education					
LA10	Average hours of training per year per employee by employee category. (Core)	Partly		149	Danfoss reports the number of hours used for environmental training
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	Partly		137, 166	
LA12	Percentage of employees receiving regular performance and career development reviews. (Additional)	Full		139, 166	
LA 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)	Full	1,6	141, 166	
LA14	Ratio of basic salary of men to women by employee category. (Core)	Not reported	1,6		
HUMAN RIGHTS					
HR 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)	Not reported	1,2,3,4,5,6		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. (Core)	Full	1,2,3,4,5,6	125	Audits were carried out at 23% of suppliers in high-risk countries, at 8% of suppliers in medium-risk countries and at 4% of suppliers in low-risk countries. The figures represents suppliers of production goods
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)	Partly	1,2,3,4,5,6	123	59 leaders have been trained in Human Rights and Ethics during 2008

GRI INDICATOR TABLE

	Compliance	GC principle	Page	Results/Comments	
HUMAN RIGHTS (continued)					
HR Non-discrimination					
HR4	Total number of incidents of discrimination and actions taken. (Core)	Full	1,6	126	
HR 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)	Full	1,3	128	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. This has been established at nine Danfoss sites
HR 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)	Full	1,5	127	
HR 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)	Full	1,4	127	
HR Security Practices					
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.(Additional)	not reported	1		
HR Indigenous Rights					
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken. (Additional)aspects of human rights that are relevant to operations.(Additional)	Full	1		The CSR survey 2008 disclosed no negative impact on indigenous people
PRODUCT RESPONSIBILITY					
PR 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)	Partly	8	156	All new and changed products must be subjected to safety assessments in accordance with valid standards before being released for sale. The assessment must be carried out for all relevante life cycle stages including use and service
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)	Not reported	8		
PR Customer Health and Safety					
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. (Core)	Not reported	8		
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)	Not reported	8		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. (Additional)	Not reported			

GRI INDICATOR TABLE

	Compliance	GC principle	Page	Results/Comments	
PR Non-discrimination					
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	Partly	157		
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)	Not reported			
PR Customer Privacy					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. (Additional)	Not reported			
PR Compliance					
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. (Core)	Full	10	All significant fines (if any) are mentioned in the Management Report section of the Annual Report	
ENVIRONMENT					
EN Materials					
EN1	Materials used by weight or volume. (Core)	Full	8,9	150, 168	
EN2	Percentage of materials used that are recycled input materials. (core)	Partly	8,9	168	Only paper and cardboard are recycled materials. Most aluminium is also recycled but amount is not recorded
EN Energy					
EN3	Direct energy consumption by primary energy source. (Core)	Full	8	151, 168	
EN4	Indirect energy consumption by primary source. (Core)	Full	8	147, 168	
EN5	Energy saved due to conservation and efficiency improvements. (Additional)	Full	8,9	148, 151	
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)	Partly	8,9	145	Additional information in the Annual Reports sections about the divisions
EN7	Initiatives to reduce indirect energy consumption and reductions achieved. (Additional)	Partly	8,9	145	
EN Water					
EN8	Total water withdrawal by source. (Core)	Full	8	151, 168	
EN9	Water sources significantly affected by withdrawal of water. (Additional)	Not reported	7,8		
EN10	Percentage and total volume of water recycled and reused. (Additional)	Partly	8,9	151, 168	Only limited amount of recycled water from external sources is used. Amount of internally recycled water is not recorded
EN 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)	Not reported	8		
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)	Not reported	7,8		

GRI INDICATOR TABLE

	Compliance	GC principle	Page	Results/Comments
ENVIRONMENT (continued)				
EN Diversity cont.				
EN13 Habitats protected or restored. (Additional)	Not reported	8		
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity. (Additional)	Not reported	8		
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)	Not reported	7,8		
EN Emissions, Effluents and Waste				
EN16 Total direct and indirect greenhouse gas emissions by weight. (Core)	Full	7,8,9	146, 168	
EN17 Other relevant indirect greenhouse gas emissions by weight. (Core)	Full	7,8,9	147	
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)	Full	7,8,9	145	
EN19 Emissions of ozone-depleting substances by weight. (Core)	Partly	7,8,9	152	
EN20 NO _x , SO _x , and other significant air emissions by type and weight. (Core)	Partly	8	168	Only SO ₂ and NO _x are calculated and reported
EN21 Total water discharge by quality and destination. (Core)	Full	8	151, 168	
EN22 Total weight of waste by type and disposal method. (Core)	Full	8	152, 168	
EN23 Total number and volume of significant spills. (Core)	Partly	8	155	Spills are only recorded when they are violating local legislation or requirements
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)	Not reported	7,8		
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff. (Additional)	Not reported	7,8		
EN Products and Services				
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (Core)	Partly	8,9	149, 156	
EN27 Percentage of products sold and their packaging materials that are reclaimed by category. (Core)	Not reported	8,9		
EN Compliance				
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. (Core)	Partly	8	10	All significant fines (if any) are mentioned in the Management Report section of the Annual Report
EN Transport				
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce. (Additional)	Partly	8	147	
EN Overall				
EN30 Total environmental protection expenditures and investments by type. (Additional)	Not reported	7,8		

