

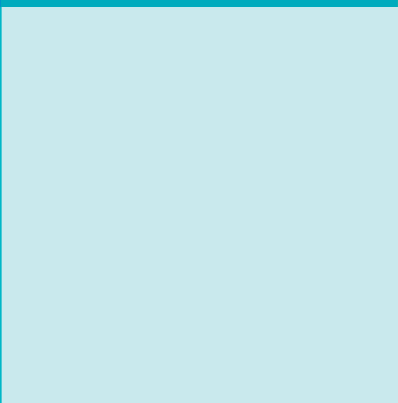
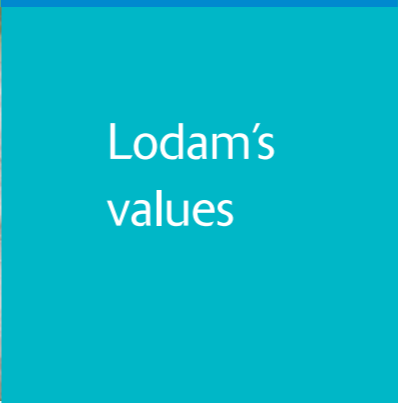
The background is a collage of four images. Top-left: A close-up of a circuit board with various electronic components. Top-right: A close-up of a digital control panel with a screen and buttons. Bottom-left: A blurred image of industrial machinery or a factory interior. Bottom-right: A blurred image of a person in a white lab coat working in a laboratory or industrial setting.

Social Responsibility

Lodam report on
social responsibility, 2013



 **Lodam**
BY BITZER GROUP



Statement

We are proud to present Lodam’s second report on social responsibility. Since the last report, our focus has been on finding our feet in our work on social responsibility, i.e. on integrating and communicating CSR in our organisation during a period characterised by growth. In that work, we have, however, benefitted greatly from the fact that Lodam has a long tradition for being a very responsible company.

Lodam joined the UN Global Compact initiative just a few months before the presentation of our first report, and Lodam continues to support the UN Global Compact and its 10 principles on human rights, labour, the environment and anti-corruption. These principles reflect our commitment to running our business in a responsible and serious way.

Our focus in the past year has been on making social responsibility part of our daily routines. The 2012 Danish “Great Place to Work” competition, organised by the Great Place to Work® Institute, shows that we have succeeded in that area. Ninety-nine per cent of all Lodam employees answered “I feel good about the way we contribute to society”. Overall, Lodam was ranked as no. 8 in the category of medium-sized companies in the Best Workplaces in Denmark list. In 2012, Lodam was also nominated for the Work-Life Balance award, clearly reflecting our commitment to being a great workplace for our employees.

Another focus area has been the introduction and implementation of CSR policies in our supply chain. We have introduced a Supplier Code of Conduct to our suppliers. The Supplier Code of Conduct has

been sent to all our main suppliers, whom we kindly ask to acknowledge, accept and comply with our Code of Conduct.

In order to focus our social responsibility efforts in the areas where we can make the greatest impact and create the most value, we have run the Global Compact Self Assessment Tool (www.globalcompactselfassessment.org). The Global Compact Self Assessment Tool is an online tool which allows companies to test their performance on all 10 UN Global Compact principles and how well these issues are managed. The result confirmed what we already knew, i.e. that our energy-efficient products is where we can make the greatest impact and create the most value. In the years to come, we will therefore continue to develop even more energy-efficient products to bring energy savings to our customers.

The results of our first year of working with social responsibility, which are presented in greater detail in this report, are first of all due to the high level of commitment of our employees which has been and will be the driving force behind the initiatives that we continuously launch in our efforts to be a socially responsible company. With this second CSR report we invite all our stakeholders to take a look at our work, efforts and results.

Lodam Management

Kristian Strand
CEO

Henning Højberg Kristensen
CTO

Lodam’s values

Professionalism

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

Inclusiveness

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

Good business acumen

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

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Kristian Strand, CEO



Henning Højberg Kristensen, CTO



Lodam in short:

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

* Heating, Ventilation, Air Conditioning & Refrigeration

Lodam electronics

Lodam possesses extensive knowledge and know-how about developing, producing and implementing innovative and efficient electronic climate control solutions. Lodam's most important asset is its staff in the form of approx. 90 dedicated employees who work either at our modern facilities at our headquarters in Sønderborg, Denmark, at a branch office in Aarhus or at one of our temporary site offices in Asia or Europe.

Lodam is a member of the BITZER Group, one of the largest groups in the global refrigeration and air-conditioning compressor industry.

Employee satisfaction is important to preserving an inspiring and creative environment and the commitment which is essential to securing the future development of innovative and energy-efficient solutions.

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

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

- System controllers for condensing, heat-pump and air-handling units
- Intelligent compressor electronics (ICE)
- Frequency converters for air-conditioning and refrigeration compressors
- Transport refrigeration for sea and land transport.

Mission:

Energy efficiency through intelligent controls

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

Vision:

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

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

Values:

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





Lodam and social responsibility

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

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

Inclusiveness includes our social responsibilities for our employees as well as the local communities in which we are present.

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

In June 2012, Lodam entered into a three-year partnership with SOS Children’s Villages Denmark. In this way, Lodam wants to contribute to an international organisation whose values match Lodam’s own values, and which works long-term in communities where Lodam has considerable business activities. Our support goes to educational activities in Asia. Ref. www.childrensvillages.org.

Via ‘The World’s Best News’, a Danish campaign conceived by the UN, Danida and a number of Danish NGOs, Lodam has contributed to spreading the news that the Millennium Development Goals are a success: The developing countries are making real progress. Ref. www.verdensbedstenyheder.dk.

Lodam’s CSR partnerships and networks:

- UN Global Compact, www.unglobalcompact.org
- Project Zero, www.projectzero.dk
- Carbon Disclosure Project, www.cdproject.net
- Great Place to Work® Institute, www.greatplacetowork.dk
- CO2 neutral websites, www.CO2neutralwebsite.com
- SOS Children’s Villages Denmark, www.soschildrensvillages.org
- Cultural and sports sponsorships: “Kultur i Syd”, Sønderborg Hus, Sønderjyske Elite Sport and Dybbøllhallen
- Cooperation agreements with University of Southern Denmark and Aalborg University
- The panel of employer representatives at the University of Southern Denmark, www.sdu.dk
- TEGnology, www.tegtechnology.dk

- Lean Energy, www.leanenergy.dk
- KVCA (The Danish Cooling Cluster)
- Member of Mechatronics Cluster Denmark, www.mechatronicscluster.com (in Danish)
- Member of Dansk Ventilation, www.danskventilation.dk (in Danish)
- Confederation of Danish Industry (Dansk Industri), www.di.dk
- Industrigruppen Sønderborg
- Member of SET (Sønderborg Erhvervs- og Turistcenter), www.set-sonderborg.dk
- Work Live Stay and Best Brains, www.work-live-stay.dk
- Fachverband Gebäude-Klima, www.fgk.de (in German)
- Sønderborg Airport

Goals and actions

Results 2012 actions (May 2012 - April 2013) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Goal Awareness and implementation of Lodam’s CSR activities and policies by Lodam employees. a. Measured as part of employee satisfaction surveys (Great Place to Work®). b. Information (via information meetings, intranet etc.).				
Results a. The results of the Danish “Great Place to Work” 2012 competition, organised by the Great Place to Work® Institute, show that we have succeeded in this area. Ninety-nine per cent of all Lodam employees answered “I feel good about the way we contribute to society” b. There is a specific CSR site on the Lodam intranet. The first report was handed out to all employees in hard copy. Information about CSR issues has been provided by Lodam at regular information meetings.				
Goal Look for a partnership project with an organisation that works with the UN Global Compact principles in one or more areas where our main suppliers are situated.				
Results In June 2012, Lodam entered into a partnership with SOS Children’s Villages Denmark. Our support goes to educational activities in Asia. It is a three-year partnership.				

New goals and actions (May 2013 - April 2014) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Goal Continue to raise the awareness of Lodam’s CSR activities and policies among Lodam employees. a. Measured as part of employee satisfaction surveys (Great Place to Work®), above 95%.				



UN Global Compact

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

Overall, the Global Compact pursues two complementary objectives:

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

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

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

Source: www.unglobalcompact.org

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

The ten principles of the United Nations Global Compact:

Human rights

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

Labour

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

Environment

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

Anti-corruption

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



Environmental responsibility

Lodam takes an environmentally responsible approach to the running of its business. We have various impacts on and ways of impacting the environment, and we have initiated activities in all areas. One area is our facilities where we develop and test our products, and another area is our products that reduce energy consumption for end-users. Also, we require that our suppliers take care of the environment; these requirements are described in our Supplier Code of Conduct, ref. pages 25-27. Lodam has a list of ideas for environmental improvements at our facilities. The list is continuously updated, and at regular CSR meetings it is decided which initiatives to look further into or implement. In 2013, a new building was taken over and added to our headquarters. Built in 1990, the building has been refurbished and was inaugurated in March 2013. In the past period, the following initiatives have been implemented:

Air and heating

The existing building is heated by water-borne floor heating. The heat comes from our own heat pumps (ground-to-water), which we have developed and produced ourselves. We supplement this heating solution with natural gas when the temperature drops below freezing point. Furthermore, we have installed seasonal control, which includes an outdoor temperature sensor to regulate the temperature of the hot water in the floor heating. This ensures a more homogeneous indoor temperature and saves energy.

The newly added building is heated with natural gas. In 2013, we will register and monitor the level of energy consumption, and then decide if action should be taken to optimise this. New ventilation systems have been installed in the production area and in the new building. This is a very energy-friendly solution which also improves the indoor climate. The system is switched off outside office hours to save energy. Furthermore, we have built a porch at one of the exterior doors, which had insulation problems.

Energy consumption

We have installed more lighting controls to automatically turn lights on and off as needed. We have replaced all halogen lights with LED. The initial costs are higher, but we will save a lot of energy. Office lighting otherwise takes the form of fluorescent lamps. We remind each other regularly to turn off computer screens and other energy-consuming equipment if and when possible. One of our goals for the past period was to reduce the process flow as much as possible, e.g. by reusing energy from product tests. We have invested in equipment to reuse the energy for testing, which has resulted in the reuse of about 80-85% of the energy. Another goal was to split the measuring of energy consumption into energy used for product testing and energy for our ordinary facilities and activities. This has been accomplished and gives us a clear idea of how energy is used. We will study the consumption figures for each area and decide if and where changes should be made to minimise our energy consumption.

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

	2009	2010	2011	2012
kWh per m ² , total	110	152	127	122
kWh per m ² , ordinary facilities and activities	-	-	-	93
kWh per m ² , product testing	-	-	-	29
kWh per employee	5601	6801	5485	4649

Notes: In 2010, we extended our facilities with approx. 1,000 square metres. During the period of construction, our ground heat system was switched off. In 2012 we split the measuring of energy consumption.

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

	2009	2010	2011	2012
Tonnes of CO2 per m ²	0.040	0.043	0.050	0.039
Tonnes of CO2 per employee	2.043	1.921	2.167	1.493

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

“Private” energy opportunities for employees

Lodam has a thermography camera, which employees can borrow outside office hours to check their homes and see where they can improve/lower their energy consumption. Furthermore, Lodam is planning an after-hours meeting for employees, where an energy expert will give a talk on how to save energy at home.

Environmental inspection

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

November 2008: 1 remark (paper sorting handled incorrectly).
 March 2012: 0 remarks

The next inspection is due to take place in 2015.

Printed matter

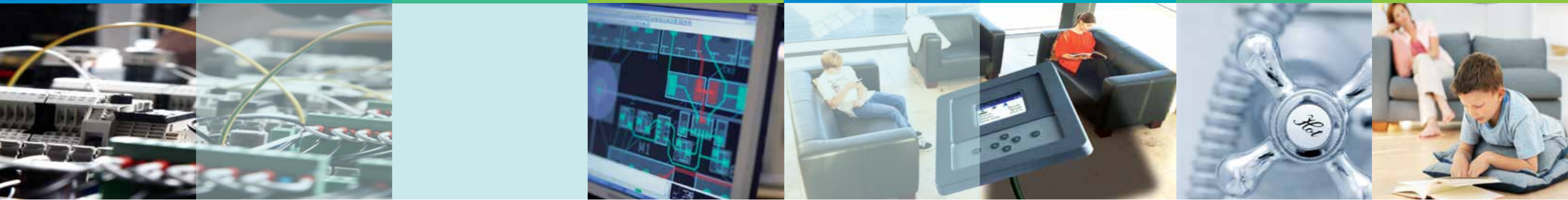
All printed matter, including this report, is printed using environmentally friendly ink on FSC-certified paper. We always print a limited number of copies. Our current supplier of printed matter is located very close to Lodam, which saves energy for transport. Ref. www.fsc.org.



Goals and actions

Results 2012 actions (May 2012 - April 2013) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Goal Energy consumption goals: a. Reduce the process flow as much as possible, e.g. by reusing energy from product tests. b. Split the measuring of energy consumption into energy used for product testing and energy for our ordinary facilities and activities.				
Results a. We have been able to reuse 80-85% of the energy from tests. b. We have split the measuring of energy consumption into energy used for product testing and energy for our ordinary facilities and activities.				
Goal Prepare plan for further initiatives within the area of environmental protection at the headquarters in Sønderborg.				
Results Lodam has a list of proposed initiatives. This list is evaluated at all regular environment meetings, and new initiatives are added while decisions are made as to which initiatives to look further into or implement.				

New goals and actions (May 2013 - April 2014) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Goal Keep and maintain the list of initiatives within the area of environmental protection at the Sønderborg headquarters as well as looking into and implementing the initiatives that make most sense.				
Goal Further investigate initiatives for energy-efficient heating and CO2 optimisation at the Sønderborg headquarters.				
Goal Look into Life Cycle Analysis (LCA) of our products to support investment decisions and decisions on approach.				



Lodam's energy-efficient products

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

System controllers

- Heat pumps
- Condensing units
- Air handling units

Intelligent compressor electronics (ICE)

- Compressor protection and monitoring
- Frequency inverters

Transport

- Reefer containers
- Truck & Trailer units

Heat pumps

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

Condensing units

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

Air handling units

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

Frequency inverters

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

Accessories

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

Heat pump controller

Controlling domestic hot water and heating

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

You can remotely control and monitor the heat pump via the internet, and download a data log for service and diagnostic purposes.

Furthermore, with the Lodam heat pump controller you can make your heat pump Smart Grid-ready.

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

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



Condensing unit controller

Refrigerated display cabinets in supermarkets using less energy

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

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

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

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

Other benefits: As the condensing unit runs more stably with a Lodam controller, thus ensuring a more constant temperature, the quality of the products in the refrigerated display cabinet is much higher than without a stable temperature. Another benefit is less food waste. And finally a special low-sound mode of fans ensures a low noise level at requested times, typically during the night and at weekends.

Case:

Solar-powered cold storage

Lodam's condensing unit controller part of solar-powered cold store in warm and remote locations.

One of the challenges in warm and remote parts of the developing countries is the storage of catches and crops. If fishermen and farmers have access to cold storage, they can substantially increase their income. However, some of the biggest challenges in these areas are the lack of grid power, the frequent power outages and the costs and logistical issues associated with diesel-operated refrigeration solutions.

The Indonesian company Contained Energy has developed a system that combines solar power, thermal energy storage and ultra-efficient compressors and is thus not reliant on an external power supply.

The system has already been installed in two 20 m³ units, on a remote island in Wakatobi and in Pacitan, Indonesia. They are both designed to keep 500 kg of fish at -2° C, with capacity to add and cool 200 kg of 'un-iced' fish per day. The total cooling load is 30 kWh per day.

The thermal energy storage technology allows the compressor package to do most of its 'cooling work' during the day, when solar power is available, thereby substantially reducing the battery storage capacity that would otherwise be required.

The BITZER Ecostar solution, which is a key part of the refrigeration system, includes the condensing unit controller developed by Lodam. The condensing unit frequency inverter keeps energy consumption low and costs down through intelligent capacity control.

Ref. www.containedenergy.com



Air handling controller

A perfect climate everywhere with minimum energy consumption

With Lodam's air handling controller, a perfect climate can be created everywhere with minimum energy consumption due to demand-driven ventilation. The air handling controller operates in both household and industrial units.

The supply of fresh, filtered air to maintain air quality is key to an optimised indoor climate and comfort. As air handling costs energy, the goal is to ensure optimised comfort using as little energy as possible. Lodam's air handling unit has a number of features that contribute to that goal.

How does the Lodam air handling controller save energy compared to other products?

- The air handling controller controls the supply and exhaust air with energy-saving EC fans or AC fans with inverters.
- The controller ensures demand-driven ventilation with CO2 and humidity sensors; if the humidity and CO2 values rise above a stipulated level, the ventilation will increase, and as soon as the humidity and CO2 values are acceptable, the ventilation will be lowered again. In this way, only an absolute minimum of energy is consumed to maintain a given level of comfort.
- The air handling can be adjusted according to outside temperature and day-and-night or weekly requirements.

Lodam Star Cool controller

Reefer container operators depend on reliable and economical equipment.

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

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

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

- Reefer containers
- Truck & Trailer units





Supplier responsibility

Lodam's products are produced by skilled manufacturers in Europe, Asia and the USA. Our suppliers are manufacturers of electronic products and have been carefully selected based on quality and conformity with specifications.

In the past period, Lodam has focused on implementing our Supplier Code of Conduct in our supply chain. Lodam strives to select suppliers that are committed to maintaining high ethical standards just like ourselves. We have only been met with understanding and acceptance from our suppliers when introducing our code of conduct.

We have worked with these activities at various levels. First of all, we are incorporating CSR and the code of conduct into our contracts with all strategic suppliers. CSR is only one element in these contracts, and many other issues are addressed in our dialogue and communication with these suppliers. This is a process that cannot be expedited, and as new strategic suppliers may appear on the scene, it will also be an ongoing process.

Furthermore, we have introduced the Supplier Code of Conduct to all other Lodam suppliers, asking them to comply with it. Lodam is engaged in a dialogue with the very few suppliers who have not yet complied with the code of conduct as the goal is compliance by all suppliers. This will also be an ongoing activity, as new suppliers come on board.

We have also decided to include a reference to our Supplier Code of Conduct in our purchase orders.

For our customers, we provide information about our supply chain activities in other sales and marketing material and presentations rather than in our General Terms of Sale and Delivery. Our customers are generally very pleased that Lodam is working strategically with CSR in the supply chain. This is also very much in line with our customers' own CSR strategies and goals.

At the formal level, all our suppliers commit themselves to our code of conduct. However, equally important is the dialogue we have with our suppliers, for instance as regards the conditions under which our suppliers' workers work. Our goal is that work must be performed under reasonable and orderly working conditions, considering the country where the supplier is located. We respect local and cultural traditions, but the working conditions must be acceptable.

CSR is on the agenda in connection with quality audits of our suppliers' facilities. We inform our suppliers about CSR and why it is important. During audits, environmental conditions and occupational health and safety are on the checklist of areas being audited. Lodam's quality system does not include unannounced visits. However, when other Lodam employees in the supply chain area visit suppliers, they are briefed about the supplier's CSR and which issues to pay attention to.

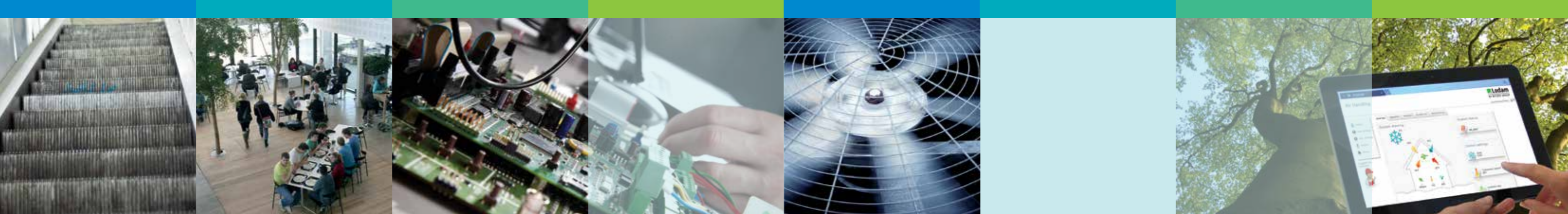
The overall goal is no deviations or substantial remarks, and compliance with our code of conduct. So far, there have been no deviations or substantial remarks.

Another goal set up in the last report was the introduction of initiatives within the areas of use of solvents, discharge of waste water and disposal of waste in general at our suppliers' production facilities. Before introducing specific initiatives, we will look further into the extent of the issue. We will find

out which suppliers are ISO 14001-certified and whether this has given rise to remarks. Furthermore, we will observe how these things are handled in general at the facilities. Once we have built more comprehensive knowledge, we will decide how to proceed and which initiatives can be made.

Furthermore, Lodam will investigate and establish a platform for deciding whether Lodam should be ISO 14001-certified.





Goals and actions

Results 2012 actions (May 2012 - April 2013) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Goal Introducing and implementing Lodam's CSR policies within our supply chain: a. Supplier contract with code of conduct to be signed by all main suppliers. b. Include the Supplier Code of Conduct in our General Terms of Sale and Delivery.				
Results a. Our Supplier Code of Conduct is part of the supplier contracts that we are working on with our strategic suppliers. Some contracts have been signed, while others are still in progress (May 2013). Focus will still be on this work, and thus this goal, in the next period. b. We have decided to refer to CSR activities in our supply chain in other sales and marketing material and presentations.				
Goal Incorporating CSR in relation to our suppliers into our quality assurance system: a. Incorporate the checklist regarding areas to evaluate at our suppliers' facilities, including both announced and unannounced visits in the auditing plans. b. Specify targets/initiatives within all checklist areas.				
Results a. The quality assurance system includes a checklist. Lodam's quality assurance division only performs announced audits. However, other visits to suppliers by other Lodam employees include unannounced check-ups on CSR status. b. The goal is no deviations or substantial remarks as well as compliance with our Code of Conduct. At this point, there have been no deviations or substantial remarks.				
Goal Initiatives within the areas of use of solvents, discharge of waste water and disposal of waste in general at our suppliers' production facilities.				
Results Before introducing specific initiatives, we will look further into the extent of the issue. Once we have built more comprehensive knowledge, we will decide how to proceed and which initiatives can be made.				

New goals and actions (May 2013 - April 2014) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Goal Introducing and implementing Lodam's CSR policies within our supply chain: a. Supplier contract with Code of Conduct to be signed by all main suppliers. b. Continue to introduce our Supplier Code of Conduct to new suppliers.				
Goal Continue to work with CSR in relation to our supply chain via our quality assurance system: a. Supplier audits include areas such as environmental conditions and occupational health and safety. b. In connection with audits, check if the supplier is ISO 14001-certified, and if there are any remarks to the certification. c. Use of solvents, discharge of waste water and disposal of waste in general at our suppliers' production facilities: Look further into the extent of the issue. Once we have built more comprehensive knowledge, decide how to proceed and which initiatives can be made.				
Goal Investigate and provide a basis for deciding whether Lodam should be ISO 14001-certified.				



Supplier code of conduct

Preface

Lodam strives to select suppliers who are committed to maintaining high ethical standards. We are a signatory to the United Nations’ Global Compact, and we expect our suppliers to share the fundamental principles of the UN Global Compact initiative, whether signatories or not.

The Supplier Code of Conduct comprises the following specific areas:

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

Furthermore, our suppliers are required to comply with all relevant national legislation and regulations. The purpose of Lodam’s Supplier Code of Conduct is to outline in greater detail the standards we expect our suppliers to adhere to. Lodam views these requirements as an integral part of our business relationship with individual suppliers. We believe that ethical, social and environmental standards will provide competitive advantages for the benefit of Lodam and our suppliers.

This Code of Conduct applies to suppliers doing business with Lodam. Suppliers must comply with this Code of Conduct in all aspects of their operations that relate to their business with Lodam. Supplier companies must ensure that their employees comply with this Code of Conduct in all activities related to the suppliers’ business with Lodam.

We expect our suppliers to ensure that their sub-suppliers are aware of and comply with the principles expressed in this Code of Conduct.



Supplier code of conduct

Specific requirements

Remuneration and employment conditions

We expect the supplier to comply with all legislation and regulations governing pay and working hours, including those pertaining to minimum pay, over-time pay, sick leave, piece rates and other compensatory elements.

Working hours

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

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

Freedom of association and right to collective bargaining

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

Discrimination

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

Harassment and disciplinary measures

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

Child labour

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

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

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

Forced labour

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

Health and safety

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

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

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

Environment

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

Corruption and bribery

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



People responsibility

Lodam wants to be the preferred company in the eyes of our employees. So it says in our overall vision.

In this report, we have chosen to present some of the areas that we have focused on, in particular, since the last report in order to comply with our vision, as well as the areas we will concentrate on for the next year. All our activities within these areas relate to our values, which we live every day, and which influence everything we do and all our decisions.

Lodam's values

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

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

A great place to work

Lodam's Pole Position programme, which is our internal project with a clear vision of being one of the Top 3 places to work in Denmark in 2013, is closely connected to our values, and defines the scope of the activities we initiate to attain our goal.

In order to measure our progress and benchmark our results, Lodam has been working with the Great Place to Work® Institute since 2006. In 2012, Lodam was ranked as no. 8 in the category of medium-sized companies in the Best Workplaces in Denmark list, as measured by the Great Place to Work® Institute. This is our best result so far, and a step further towards fulfilling our goal of being in the Top 3.

Work-life balance

Apart from the ranking as no. 8, Lodam was nominated for the Work-Life Balance award 2012 by the Danish Great Place to Work® Institute. Thus, Lodam's employees are among the employees in Denmark with the best opportunities for life planning.

Work-life balance – the balance between working life, private life, family life, hobbies and other activities – is one of the main focus areas in the Pole Position programme. Lodam has made a number of tools available to help employees balance their lives. These include a personal planning course, which also looks at work-life balance, flexible working hours, as well as a number of approaches to making daily life easier.

These are a few of those possibilities:

- Lunch arrangement
- Health insurance (includes children)
- Massage and hairdresser (at Lodam)
- Company profile clothing
- Family travel insurance (worldwide)
- LogBuy discount card (you can order your groceries online and have them delivered at Lodam)

In addition to the above possibilities, Lodam's approach is to allow individual solutions for individual employees, as different employees need different solutions to strike a healthy work-life balance.

Besides making a number of tools available for each employee, Lodam has also adjusted the way in which we organise work at Lodam. We strive for having fewer tasks, but for shorter periods, so that it is possible to work with one thing at a time. This gives individual employees a better chance of planning their work. Many studies show that this is a good way to prevent stress. This initiative should improve both our psychological working environment indicators, and also the management's ability to manage and delegate the work. On both counts, we have significantly improved the results from 2011 to 2012.

However, it is the total package of opportunities as well as Lodam's continual communication about the opportunities and improvements to the working conditions that have resulted in the nomination for the Work-Life Balance award.

Work-life balance will remain a focal point at Lodam as it is key to employee satisfaction. Lodam believes that employees with a healthy work-life balance work better, are happier and contribute more to our values.

Management and leadership

The ranking as no. 8 in 2012 in the category of medium-sized companies in the Best Workplaces in Denmark list, compared to a ranking as no. 19 in 2011, represents significant progress and shows that we have improved on all the Great Place to Work® parameters.

The improvement is very much attributable to our managers' ability to handle the growth we have experienced as a company, while at the same time focusing on the areas we have chosen to work with. One of these areas is the employees' experience of team and family spirit. This is an area that is typically challenged when a company grows in terms of both revenue and number of employees. Another area that is also affected by this is the employees' experience that their colleagues work just as hard as they do.

In order to be able to handle these challenges, our managers completed a comprehensive leadership programme in 2012. Each manager has spent up to 10% of his management time doing this programme, including studying, accomplishment and implementation.



The leadership programme looks at topics such as situational leadership, communication, balanced scorecards, delegating etc. The programme is closely connected to our leadership guidelines, which form the basis of the professional management of Lodam. The leadership guidelines are available to everyone at Lodam and ensure the empowerment of the professional management of Lodam, strategically, tactically and operationally.

As part of the leadership programme, all managers must accomplish a 360-degree evaluation every year, which takes the form of feedback from members of the individual manager's immediate work circle, including direct feedback from subordinates, peers and supervisors, as well as a self-evaluation. The evaluation is a useful development tool and part of an ongoing process for all our managers.

The leadership programme continues in 2013 and further into the future as having a professional management is decisive to attaining our goals – as regards both the Pole Position project and Lodam's overall vision. In 2013, all managers follow an individual leadership programme focusing on their specific needs for further training.

Lodam Academy

Lodam has an internal training programme known as the Lodam Academy. Under this programme, all employees have a personal development plan. This plan includes employee development and training.

There is a saying in Lodam: "No one is entitled not to make progress". Based on that, we will focus on the accomplishment by all employees of their individual development plans in 2013. We will do this by emphasising the importance of accomplishing the agreed training activities and the manager's and employee's joint responsibility for ensuring this. Thus, we have set up new goals in a list of indicators regarding agreed and accomplished competence development. The goal is for 70% of all agreed training to be performed, and 20% of all agreed training to be scheduled.

Part of the Pole Position programme is about Lodam's capability to run an innovative and successful business, and competence development is a decisive means to achieving that.

People responsibility goals

The indicators below relate to Lodam's ability to maintain and improve employee well-being, motivation and job satisfaction. Furthermore, it shows Lodam's ability to retain its employees, recruit new employees and create new workplaces.

Description	Target 2012	Actual 2012	Target 2013 (1 January)	Comments
No. of employees	An increase of 25% (65 employees at 01.01.2012)	An increase of 26% (82 employees at 01.01.2013)	An increase of 10%	Expected increase, as at 1 January 2013.
Staff turnover	Below 3%	2.66%	Below 3%	Measured as the number of retired employees compared to the average number of employees.
Sick leave	Not to exceed 1.8%	1.52%	Not to exceed 1.8%	Including long-term sick leave.
No. of physical injuries	0	0	0	Lodam focuses on preventive activities.
No. of psychological injuries, e.g. stress	0	0	0	Lodam focuses on preventive activities.
Agreed and accomplished competence development	-	-	90% divided as follows: 70% accomplished, and 20% scheduled. (01.05.2014)	The final 10% are courses that cannot be accomplished for various reasons (cancelled by the organiser, postponed etc.).

These indicators follow the calendar year, except for the competence development goal.

The goals set up below relate to our overall 2013 goal and vision of being one of the Top 3 places to work in Denmark in 2013 – as measured by the Great Place to Work® Institute. Lodam wants to improve in all areas measured by the Great Place to Work® survey; however, the three goals set out below are specifically important to us.

Description	2011	2012	2013 (November)
Significantly improve the management's ability to manage and delegate the work.	66%	83%	Above 90%
Significantly improve the employees' experience of team and family spirit.	80%	81%	Above 90%
Significantly improve the employees' experience that their colleagues work just as hard as they do.	84%	92%	Above 90%

These goals follow the GPW calendar. The survey is carried out in September, and the results are available in November.



Anti-corruption

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

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

Within our supply chain, we ensure that our partners work against corruption as well, by asking our suppliers to comply with our Supplier Code of Conduct (ref. pages 25-27), which includes a paragraph on corruption and bribery.

Lodam has an internal policy regarding gifts. Gifts to and from external partners must respect a reasonability principle, whereby they do not act as a means of persuading someone to do something which is dishonest, illegal or represents a breach of confidence.

Gifts from Lodam, including business partner care, are thus based on the reasonability principle. We do not give individual Christmas gifts, but we may give gifts to show our appreciation of special efforts, also based on the reasonability principle. Moreover, we prefer to give gifts to a group of people instead of just one person. The gifts that Lodam or a Lodam employee may receive are accepted only if they comply with the reasonability principle; if not, they are returned. Furthermore, all the gifts received are donated to Lodam’s Christmas lottery, in which all employees participate.

Our focus area has been and will continue to be on awareness and understanding of this issue. The instruction held for all employees include information on grey areas between corruption and building relationships and what the reasonability principle means.

Goals and actions

Results 2012 actions (May 2012 - April 2013) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Goal Communication of Lodam’s anti-corruption policies: a. An annual general instruction to all employees. b. Special annual instructions to employees with many external contacts (sales managers, purchasing officers etc.). c. Registration of incidents of corruption, if any.				
Results a. An annual general instruction was held in March 2013. The instruction is now part of Lodam’s general internal training programme. b. Special annual instruction to employees with many external contacts was held in December 2012. Participation is registered in Lodam’s competence registration system. c. No incident has been registered (as per 1 May 2013).				

New goals and actions (May 2013 - April 2014) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Goal Continue communication of Lodam’s anti-corruption policies: a. An annual general instruction to all employees. b. Special annual instructions to employees with considerable external contacts. (sales managers, purchasing officers etc.), at least once a year. c. Registration of incidents of corruption, if any.				



2013 goals

2013 goals (and beyond) <i>(The four columns on the right show the UN Global Compact areas to which the individual activities relate)</i>	Human rights	Labour	Environment	Anti-corruption
Our vision is to be the preferred company - in the eyes of our customers and employees:				
- Lodam wants to improve customer satisfaction, as measured in our annual surveys, by having a Net Promoter Score (NPS) of more than 25 in 2013.				
- In 2013, Lodam wants to be a Top 5 supplier as evaluated by our customers.				
- Lodam wants to be one of the Top 3 places to work in Denmark in 2013 – as measured by the Great Place to Work® Institute.				

Final words and facts

Working in a company that focuses on social responsibility is very important to our employees. The 2012 result of the Danish “Great Place to Work” competition, organised by the Great Place to Work® Institute, shows that Lodam is succeeding in that area. Ninety-nine per cent of all Lodam employees answered “I feel good about the way we contribute to society”. Lodam employees have always felt that Lodam is a responsible company. The year before (2011), 94% answered that they feel good about the way we contribute to society. We believe that the increase in 2012 is due to our strategic approach to this area, including our joining the UN Global Compact in 2012.

By continuing to implement and incorporate the 10 principles of the UN Global Compact initiative into our strategies and our daily work, we will strive for Lodam to be perceived by all our stakeholders as a socially responsible company.

Facts:

Date of issue of this communication on progress (COP): 21 May 2013

Company name and address:
Lodam electronics a/s
Kærvej 77
DK-6400 Sønderborg

VAT/CVR no.: DK21340006

Bank: Sydbank A/S, CVR no.: DK12626509

No. of employees on date of issue: 87

Management:
Kristian Strand, CEO
Henning H. Kristensen, CTO

Board of Directors:
Peter Schaufler
Michael Bauer
Rainer Grosse-Kracht
Jürgen Kleiner
Christian Wahlers
Christian Wehrle

Date of signing the UN Global Compact:
13 March 2012.

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Lodam electronics

– Efficient energy control for better living