

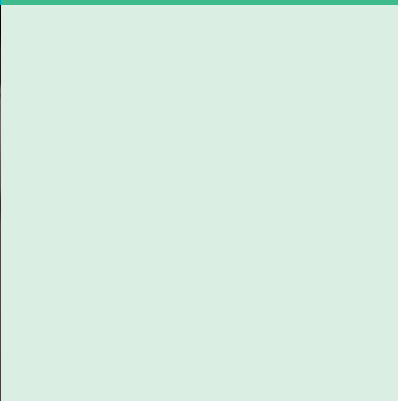


Social Responsibility

Lodam report on
social responsibility, 2014



 **Lodam**
BY BITZER GROUP



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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Ver. 4.0 - 27.05.2014

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Statement

We are pleased to present Lodam's new report on social responsibility. The report gives an overview of our internal and external social responsibility activities from May 2013 to April 2014. The aim is to provide our customers, employees and other stakeholders with insights into Lodam's work with social responsibility as well as our ambitions to contribute to social responsibility.

In the past year, our focus has been on anchoring and further incorporating social responsibility into our daily routines. However, new challenges have also emerged. For example, Lodam has received inquiries from customers regarding Lodam's use of conflict minerals. Lodam supports human rights, and we wish to contribute to transparency in the supply chain. Therefore, we have started requesting information on the origin of these specific minerals from our suppliers. However, due to the complexity of our supply chain, this will be an ongoing process. Read more about the scope of conflict minerals on page 21.

To further support the anchoring and incorporation of social responsibility, we have decided to include our social responsibility policies and procedures in our quality assurance system, which means that they are now subject to regular auditing.

For Lodam, the past period has been characterised by growth and tailoring of our organisation to this growth. As a consequence of continued growth, we have adjusted our mission and vision to reflect our present position and strategies as well as our ambitions. See our mission and vision on page 4.

People responsibility is important to us, and we keep measuring employee well-being via the Danish "Great Place to Work" competition, organised by the Great Place to Work® Institute. According to our revised vision, "Lodam wants to be one of the best places to work in Denmark with a trust index of 95% as measured by the Great Place to Work® Institute".

Lodam joined the UN Global Compact initiative in March 2012, and we continue 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.

Lodam Management

Henning Højberg Kristensen
CEO

Tore Østergaard
COO



Henning Højberg Kristensen, CEO



Tore Østergaard, COO



- 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 more than 100 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 global leader within intelligent electronics for air conditioning and refrigeration. We offer cost-effective and high-quality solutions, enabling our customers to consistently outperform their peers in usability, serviceability and energy efficiency.

Vision:

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

- Lodam wants to continuously grow through innovative solutions.
- Lodam wants to improve customer satisfaction, as measured in our annual surveys, by having a Net Promoter Score (NPS) exceeding 25.
- Lodam wants to be one of the best places to work in Denmark with a trust index of 95% 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

As a company with an international outlook, it is natural for us to look outwards when it comes to social responsibility and human rights.

In 2012, Lodam entered into a three-year partnership with SOS Children's Villages Denmark. In so doing, Lodam wants to support an international organisation whose values match Lodam's own values, and which works long-term in communities where Lodam has considerable business activities. We support a project with educational activities in Asia. Ref. www.childrensvillages.org.

In 2013, Lodam again participated in '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.



Goals and actions

Results 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. Measured as part of employee satisfaction surveys (Great Place to Work®), above 95%.				
Result 95% of all Lodam employees answered "I feel good about the way we contribute to society" in the Danish Great Place to Work 2013 survey, organised by the Great Place to Work® Institute.				

New goals and actions (May 2014 - April 2015) <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 anchor the awareness of Lodam's CSR activities and policies among Lodam employees. Measured as part of employee satisfaction surveys (Great Place to Work®); 95%.				

Lodam's social responsibility partnerships and networks:

Lodam is a member of a number of networks, supporting social responsibility activities together with other companies and organisations. The list below reflects Lodam's commitment to human rights, environmental innovation as well as organisations that support the local communities in which we do business.

Human rights

- UN Global Compact, www.unglobalcompact.org
- SOS Children's Villages Denmark, www.soschildrensvillages.org
- Verdens bedste nyheder, www.verdensbedstenyheder.dk

Environment

- Project Zero, www.projectzero.dk
- CO2-neutral websites, www.CO2neutralwebsite.com

Local cultural branding

- Cultural and sports sponsorships: "Kultur i Syd", Sønderborg Hus, Sønderjyske Elite Sport and Dybbølhallerne

Employer branding and attraction

- Great Place to Work® Institute, www.greatplacetowork.dk
- Work Live Stay, www.work-live-stay.dk
- Best Brains, www.careerindenmark.com

Education

- Cooperation agreements with University of Southern Denmark and Aalborg University
- Energy sponsor programme at Aalborg university
- Panel of employer representatives at the University of Southern Denmark, www.sdu.dk

Innovation and technology

- TEGnology, www.tegtechnology.dk
- CLEAN, Danish cleantech cluster
- Member of Mechatronics Cluster Denmark, www.mechatronicscluster.com (in Danish)
- Member of Dansk Ventilation, www.danskventilation.dk (in Danish)
- Partner in local project "Green Power Electronics Test Lab", supported by a.o. Green Labs DK
- SPM, www.spm-erfa.dk
- Delta – EMC Klub, www.emcklubben.dk (in Danish)
- Fachverband Gebäude-Klima, www.fgk.de (in German)
- Member of Mekatronisk Selskab, www.mekatronisk-selskab.dk (in Danish)

Industrial cooperation

- Confederation of Danish Industry (Dansk Industri, DI), www.di.dk
- Member of DI's CSR network and Conflict Minerals network, www.di.dk
- Industrigruppen Sønderborg
- Member of SET (Sønderborg Erhvervs- og Turistcenter), www.set-sonderborg.dk



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

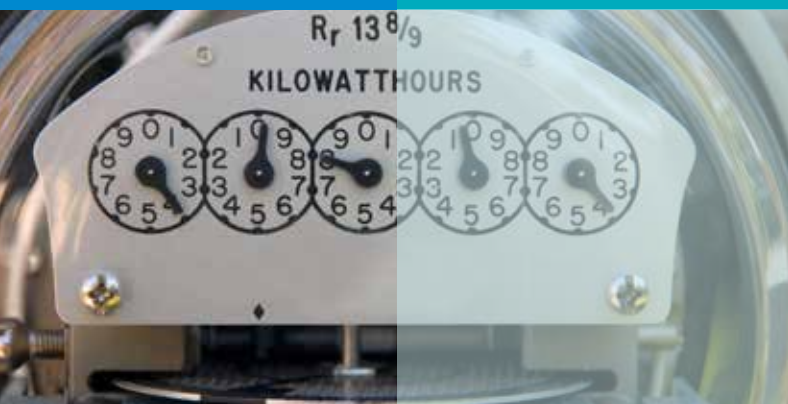
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and 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's approach to being environmentally responsible is to devote most efforts to areas where we make the largest impacts. Thus, some of our focus is on our products, which reduce energy consumption for end-users, ref. pages 14–19. However, we also focus on the production of our products, where localisation is important. Another focus area is the office facilities where we develop our products. In the past period, we have worked with and introduced initiatives within the following areas:

Localisation

Localisation is about streamlining logistics, increasing transport efficiency and producing the products close to the markets for which they are destined. Our strategy is an efficient logistics approach, which we call "in the area, for the area". Lodam's products are produced by skilled manufacturers in Europe, Asia and the USA. The purpose of Lodam's localisation project is to ensure that these manufacturers are sited near our main customers. Furthermore, Lodam is working to find qualified sub-suppliers which are located near the manufacturers. All in all, transport and logistics are minimised, saving money, time and energy. Our main focus is on air transport as this is both the most expensive, and also the most energy-intensive mode of transport. For the next couple of years, we will continue the localisation project and monitor our use of air transport of product parts and components.

Air and heating

Lodam's main building is heated by water-borne floor heating. The heat comes from (ground-to-water) heat pumps which we have developed and produced ourselves. When the temperature drops below freezing point, we supplement this heating solution with natural gas. We have investigated whether district heating would be more economical, besides being more energy-efficient. However, according to our calculations, the payback periods are 20 and 15 years, respectively, so we have decided not to switch to district heating until the gas furnaces need replacing anyway. We have seasonal control of our heating to ensure a more homogeneous indoor temperature and save energy. In 2013, a new building was taken over and added to our headquarters. This building is also heated with natural gas. We have monitored the level of energy consumption, and this building uses more energy per square metre than the main building. Therefore, it will be evaluated if the new building should be insulated or other initiatives should be carried out during 2014. Lodam has rented a set of pavilions which we use as meeting rooms. However, the pavilions are heated by electricity, which is not ideal, neither from a cost nor from an environmental point of view. In the next period, we will investigate how to lower energy consumption. Ventilation systems are installed in all buildings (except the pavilions). These are very energy-friendly solutions, which also improve the indoor climate. We have entered into a maintenance contract for all the systems, which includes a yearly check, which has already resulted in minor adjustments.

Energy consumption

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

	2009	2010	2011	2012	2013
kWh per m ² , total	110	152	127	122	142
kWh per m ² , ordinary facilities and activities	-	-	-	93	122
kWh per m ² , product testing	-	-	-	29	20
kWh per employee	5601	6801	5485	4649	5301

Notes: In 2010, we extended our facilities with approx. 1,000 sq m. During the period of construction, our ground-to-water heating system was switched off. In 2012, we split the measuring of energy consumption into energy used for product testing and energy for our ordinary facilities and activities in order to monitor how energy is used. In 2013, we extended our facilities with a new 396 sq m building. This building is not as well-insulated as the other building, and thus more energy has been used during the winter period 2013/14.

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

	2009	2010	2011	2012	2013
Tonnes of CO2 per m ²	0.040	0.043	0.050	0.039	0.043
Tonnes of CO2 per employee	2.043	1.921	2.167	1.493	1.609

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

"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 may be able to improve/ lower their energy consumption. In the past period, we had planned an after-hours meeting for employees, where an energy expert would give a talk on how to save energy at home. Unfortunately, the meeting had to be postponed, and it is therefore scheduled to take place in 2014/15.

Environmental inspection

The Danish local authorities inspect 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.

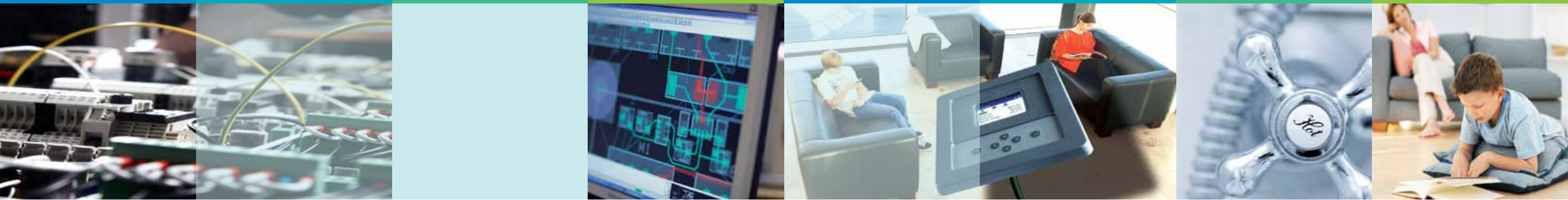


Goals and actions

Results 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 a 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.				
Result 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.				
Goal Further investigate initiatives for energy-efficient heating and CO2 optimisation at the Sønderborg headquarters.				
Result We have investigated whether district heating would be more economical, besides being more energy-efficient. However, according to our calculations, the payback periods are 20 and 15 years, respectively, so we have decided not to switch to district heating until the gas furnaces need replacing anyway. We have looked into company car fuel consumption, and decided to replace at least one with a more energy-efficient car in autumn 2014.				
Goal Look into Life Cycle Analysis (LCA) of our products to support investment decisions and decisions on approach.				
Result We have postponed this to the next period. The reason is that we have received inquiries regarding Lodam's use of conflict minerals. We have therefore carried out analyses and started a process of requesting information on the origin of conflict minerals from our suppliers, ref. page 21.				

New goals and actions (May 2014 - April 2015) <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 a 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 Continue to work with our localisation project to streamline logistics, increase transport efficiency and produce the products close to the markets for which they are destined. We will especially monitor our use of air transport.				
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.



The nine air-cooled ECOSTAR condensing units are arranged in a space-saving configuration.



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:

Compact and energy-saving refrigerating system on rooftops of Riga

Using compact condensing units for refrigeration applications has technical and financial as well as energy-saving benefits.

A benchmark system has been established in the Latvian capital of Riga, in which air-cooled condensing units made by BITZER and Lodam are demonstrating their potential.

A total of nine ECOSTAR units are arranged in a compact rectangle in the centre of the roof on a building right on the outskirts of the city by the motorway leading to Vilnius. The building is part of the A7 shopping centre, which opened in May 2013.

The complete setup consists of nine units, consisting of compressor, condenser and control system in one. Instead of a bulky combined system which would place heavy demands on the structural design of the building, a "plug-and-play solution" has been delivered which takes up 40 sq m. A comparable combined system would need almost three times more space. It is the largest ECOSTAR system in the Baltic region to date.

The ECOSTAR condensing units reflect a systematic approach to intelligent refrigeration: The infinite speed control of the integrated BITZER reciprocating compressor with frequency inverter ensures energy efficiency. As the specific condensing unit runs more stably, thus ensuring a more constant temperature, the quality of the products in the refrigerated areas is increased. Furthermore, the condenser technology leads to a significant reduction of refrigerant charge and risk of leakage.

Having standard MODBUS communication protocol, each ECOSTAR can communicate with a central control system. This allows for remote control and monitoring of the daily operation. It is also possible to get Internet access to the Lodam controllers from any browser via the built-in web server.

Complete solutions like ECOSTAR are currently popular in the Latvian market, first of all because of increasing energy costs in the Baltic region. This had led to a general rethink. Many companies favour technologies that incorporate intelligent controllers as well as frequency-controlled compressors. This results in an appreciable reduction in operating costs as well.



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.

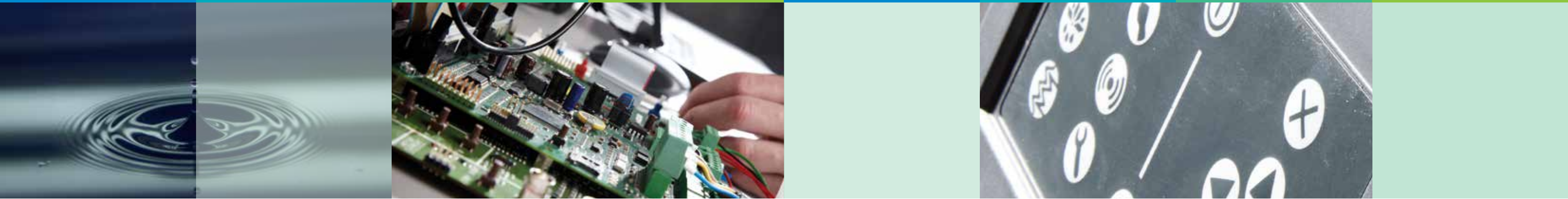
Maersk Container Industry produces the Star Cool reefer container, which features a controller developed by Lodam. The Star Cool reefer container controller meets the increasing demands for high quality and low operating costs, easy and user-friendly functionality and optimised serviceability. In fact, 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 suppliers have been carefully selected based on quality and compliance with specifications. However, we also strive to select suppliers that are committed to maintaining high ethical standards in the same way that we are.

We are still in the process of incorporating social responsibility and our Supplier Code of Conduct into our contracts with all strategic suppliers. Social responsibility is only one element in these contracts, and many other issues are addressed in our dialogue and communication with these suppliers.

However, our strategic suppliers have been asked to comply with our Supplier Code of Conduct, just like all other Lodam suppliers. This is an ongoing activity in step with new suppliers coming on board.

Lodam’s social responsibility policies are now part of our quality assurance system and thus subject to regular auditing.

In the past period, we have prepared new supplier audit templates, which include environmental, health and safety issues, ISO 14001 and deviations, if any. The templates also include use of solvents, discharge of waste water and disposal of waste in general at our suppliers’ production facilities. So far, these registrations are being used for monitoring purposes only; once we have built more comprehensive knowledge, we will decide how to proceed and which initiatives to introduce.

We have looked into the possible ISO 14001 certification of Lodam, and have decided to undertake an analysis in 2014 to establish whether it would be possible to obtain ISO 14001 certification in 2016. The manufacturers of Lodam’s products, EMS (Electronic Manufacturing Services), are already ISO 14001-certified.

Furthermore, in the coming period we will prepare an overview of our suppliers’ audit ratings and quality certifications in order to identify focus areas.

Conflict minerals

Conflict minerals are raw materials that come from particular parts of the world where conflicts are occurring and affecting the mining and trading of those materials.

The Dodd-Frank Act requires US listed companies to submit annual reports on their use of certain minerals (tantalum, tin, tungsten and gold) from illegal mines in the Democratic Republic of Congo (DRC) and its neighbouring countries.

Lodam is not directly affected by this legislation; however, we have received inquiries from customers regarding Lodam’s use of these minerals. The minerals are present in our electronic products through

the components we procure for our solutions, but at present we do not have the full picture of the origin of these materials. Thus, we have initiated a process of requesting information on the origin of these minerals from our suppliers. Due to the complexity of our supply chain, this will be an ongoing process. Also, EU legislation on the responsible sourcing of minerals coming from conflict-affected and high-risk areas is being prepared.

Lodam has chosen to give precedence to the issue of conflict minerals over Life Cycle Analysis (LCA) of our products to support decisions on approach, ref. page 12.





Goals and actions

Results 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.				
Result 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 2014). However, the Supplier Code of Conduct has been introduced and complied with by all main suppliers separately. b. We still introduce our Supplier Code of Conduct to new suppliers and repeat the compliance request to existing suppliers on a regular basis.				
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.				
Result a. New audit templates have been prepared, which include areas such as environmental, health and safety issues. b. The new audit templates also include ISO 14001 and deviations, if any. c. The new audit templates also include use of solvents, discharge of waste water and disposal of waste in general at our suppliers' production facilities				
Goal Investigate and provide a basis for deciding whether Lodam should be ISO 14001-certified.				
Result Lodam will undertake an analysis in 2014 to find out whether it is possible to be ISO 14001-certified in 2016				

New goals and actions (May 2014 - April 2015) <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 Introduce and implement Lodam's social responsibility 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, and repeat the compliance request to existing suppliers on a regular basis.				
Goal Continue to work with social responsibility in relation to our supply chain via our quality assurance system: a. Undertake an analysis in 2014 to find out whether it is possible to be ISO 14001-certified in 2016. b. Prepare an overview of our suppliers' audit ratings and quality certifications, in order to identify focus areas.				



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 one of the best places to work in Denmark. This is so important for us that it is part of our overall vision: “Lodam wants to be one of the best places to work in Denmark with a trust index of 95% as measured by the Great Place to Work® Institute.”

Even though the past period has been characterised by growth, organisational changes and new management, Lodam has maintained a trust index of 93%, which places us among the very best work-places in Denmark (no. 16 in 2013).

In this report, we describe how we have met the challenges of growth, organisational changes and new management, especially in relation to our three goals:

- Significantly improve the management’s ability to manage and delegate the work: Above 90%
- Significantly improve the employees’ experience of team and family spirit: Above 90%
- Significantly improve the employees’ experience that their colleagues work just as hard as they do: Above 90%

These goals are part of the Great Place to Work® Institute’s employee survey, which measures employee engagement by surveying employee opinions, attitudes and perceptions of the level of trust between colleagues and between management and employees.

Trust Index:

Refers to the overall average result from the Trust Index® Employee Survey by the Great Place to Work® Institute.

Strength of coherence

It is important that all employees are aware of the whole of Lodam’s business and Lodam’s strategies and goals, and that they see the meaning and purpose of their tasks and have an understanding of the entire value chain. Establishing such an understanding calls for a high level of comprehension of the process among managers as well as demanding strong communicative and delegatory skills. Each manager has to create a strong local environment, while at the same time contributing to building a strong chain throughout organisation with regard to levels of understanding, the execution of tasks, helpfulness, flexibility etc.

Specific internal projects have been launched to create a strong sense of coherence between the various teams and divisions, and all managers have received training and coaching on their role in the projects. These projects and processes will continue and be further developed for as long as necessary. The processes also include a significant number of project management and quality assurance tools.

Management and leadership

Our managers have completed an intensive leadership programme in the past few years, focusing on topics such as situational leadership, communication, balanced scorecards, delegation etc. The programme now continues, however, with more focus on the individual managers and their individual needs. The present programme underpins the managers’ ability to support the organisation in the process of strengthening coherence.

The challenges faced by managers have been tough, and the 2013 Great Place to Work survey shows a slight decline in the employees’ view of the management’s ability to manage and delegate, ref page 31. However, the process and the training of the managers continue, and we believe that the decline can be ascribed to the uncertainty felt by employees at the time of the organisational changes, rather than the managers having become less able to manage.

Team and family spirit

The team and family spirit has also been challenged by the company’s growth and new family members (i.e. new colleagues). Focus has shifted from team and family spirit across the entire organisation to the individual teams. This places a much heavier responsibility for ensuring team/family spirit on individual managers. Lodam has thus focused on supporting the managers in this work.

Lodam devotes many efforts to welcoming new employees. A central welcoming programme ensures that new employees feel welcome from day one.

Not only do we tell our new colleagues about practical issues, we also introduce them to our values and culture, and we ask them to contribute to our values and culture. Dialogue between new employees and their managers about their professional tasks, about cooperation and about personal development is an essential part of starting a new job at Lodam.

All new employees are offered a personal planning course, which also includes work-life balance elements.

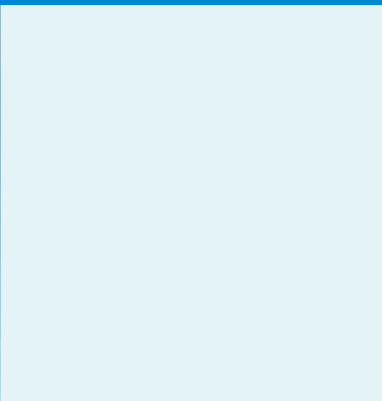
The result from the 2013 Great Place to Work survey shows slight progress in this area, though we have not yet reached our goal, ref. page 31.

We all work hard

With growing numbers of colleagues and functions, it becomes harder to see what your colleagues are working on – and how hard they work.

Feeling that your colleagues work just as hard as you do is very much a matter of trust – especially trust in your manager’s ability to manage and delegate and handle challenges associated with growth and change.

Furthermore, a strong sense of coherence, whereby all employees can see the meaning and purpose of their tasks and have an understanding of the entire value chain, is important for their feeling of fairness. Despite of the managers’ efforts and focus on this issue, the 2013 Great Place to Work survey showed a slight decline on this parameter, ref. page 31.



Photographer: Kaj Frandsen

Health

Health has also been a focus area in the past period. Lodam has an occupational health and safety organisation, which is statutory. Lodam's occupational health and safety committee has its own site at Lodam's intranet, where it provides information about activities and focus areas.

In the past period, the importance of eating a healthy lunch has been discussed. The committee wanted to ensure that it is possible for all employees to choose a healthy, varied and low-calorie meal. Also, a system of providing feedback to and from the caterers supplying the lunch has been initiated. Apart from a healthy meal every day, fresh fruit is laid on every day.

The committee also wanted to make sure that everyone is aware of the sport activities on offer for Lodam employees. Various discounts are available. In addition, Lodam supports two annual local sporting events to encourage team and family spirit across Lodam, not only among the participants, but for all employees who are encouraged to cheer and support the Lodam sports teams. These events are a bike&run event and a local rowing regatta; in both cases the Lodam teams compete against teams from other local companies.

In connection with the (statutory) workplace assessment in 2013, special focus was on ergonomics. An expert gave a talk on workplace ergonomics in general, and subsequently all employees were offered an individual session during which the expert would check and correct their chair, table, working positions etc. Furthermore, posters with ergonomic tips and reminders have been displayed around the premises.

First-aid courses have been held at Lodam for a number of years, but not on a regular basis. First-aid courses, including instructions on how to use Lodam's AED defibrillator, are now part of Lodam's internal training programme, and will be offered to all employees every year.

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.

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	Actual 2012	Actual 2013	Target 2014	Comments
No. of employees	82 employees at 1 January 2013. An increase of 26%	91 employees at 1 January 2014. An increase of 11%	An increase of 10%	
Staff turnover	2.66%	6.9%	Below 5%	Measured as the number of retired employees compared to the average number of employees.
Sick leave	1.52%	1.31%	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	-	67% accomplished and 18% scheduled. (1 May 2014)	90% divided as follows: 70% accomplished, and 20% scheduled. (1 May 2015)	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 out below relate to our overall goals and vision of being one of the best places to work in Denmark with a trust index of 95% 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	2014 (Nov.)
Significantly improve the management's ability to manage and delegate the work.	66%	81%	79%	Above 90%
Significantly improve the employees' experience of team and family spirit.	80%	81%	84%	Above 90%
Significantly improve the employees' experience that their colleagues work just as hard as they do.	84%	92%	90%	Above 90%
Trust index: Refers to the Trust Index® Employee Survey, which measures employee engagement by surveying employee opinions, attitudes and perceptions of the level of trust between colleagues and between management and employees.	89%	93%	93%	95%

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 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.				
Result a. An annual general instruction was held in February 2014. 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 2013 and January 2014. Participation is registered in Lodam’s competence registration system. c. No incidents registered (as per 1 May 2014).				

New goals and actions (May 2014 - April 2015) <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.). c. Registration of incidents of corruption, if any.				



Final words and facts

Lodam has worked with strategic social responsibility for a couple of years now. Social responsibility is now firmly anchored in the organisation, and awareness of the company's social responsibility activities and goals is high. We still provide regular information about social responsibility activities, but not as often as initially. We inform new employees about our strategy and activities, and we have a dedicated social responsibility site on the Lodam intranet.

Working in a company that focuses on social responsibility is very important to our employees. The 2013

result of the Danish "Great Place to Work" competition, organised by the Great Place to Work® Institute, clearly shows that Lodam is succeeding in that area. 95% per cent of all Lodam employees answered "I feel good about the way we contribute to society".

As a socially responsible company, Lodam will continue to implement and incorporate the 10 principles of the UN Global Compact initiative into our strategies and our daily work.



Facts:

Date of issue of this communication on progress (COP): 26 May 2013

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Tore Østergaard, COO

Board of Directors:
Peter Schauffler
Christian Wahlers
Rainer Grosse-Kracht
Jürgen Kleiner
Christian Wehrle
Kristian Strand

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

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Lodam electronics

– *Efficient energy control for better living*