

Lodam report on social responsibility, 2015

Social responsibility

Lodam at a glance

105

No. of employees at date of issue of this report.

2012

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

0.363

Tonnes of CO2 per employee in 2014.

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99%

99% of all Lodam employees feel good about the way Lodam contributes to society.

0

No. of psychological injuries, e.g. stress, in 2014.

14

No. 14 on the Great Place to Work® Institute's list of the best work-places in Denmark 2014.

Lodam's values

Professionalism

We strive to be a competent, reliable business partner. A partner that keeps its promises and consistently delivers above the bar in terms of quality, service and value.

Inclusiveness

We believe in individualism with a respect for diversity and the many cultures that come together to work under our roof. We are driven by good attitudes, the mutual desire to achieve job satisfaction and our preparedness for change.

Good business acumen

We are driven by sound business practices in all daily decisions, both internally and externally. All decisions should be ethical and to the benefit of the company as a whole.

The purpose of this report is to provide our customers, employees and other stakeholders with insights into how Lodam works with social responsibility.



Management statement

We are proud to present Lodam's new report on social responsibility. The report gives an overview of our internal and external social responsibility activities from May 2014 to April 2015. The purpose of the report is to provide our customers, employees and other stakeholders with insights into how Lodam works with social responsibility as well as our ambitions to contribute to social responsibility.

Social responsibility is now part of our daily routines. We hold regular status meetings to review the areas in which goals have been defined, we give updates to our employees, we keep lists with ideas for new initiatives, we network, social responsibility is incorporated into our quality assurance system and much more. According to our employees, we are a very socially responsible company: 99% answer "I feel good about the way we contribute to society", see page 8, Lodam and social responsibility.

Our organisation is still growing, and we have a strong focus on our strategy and long-term goals for the company. In this context, people responsibility is very important, and we give a high priority to ensuring a healthy work-life balance for all Lodam employees. Read more about this on page 28, People responsibility.

At one point during the past year, one of our international partners

was hit by a serious incident which meant that some of their facilities were destroyed by fire. Fortunately, no one was hurt in the fire. However, our partner was no longer able to supply to us. As a responsible customer we helped in two ways. First, we promised that as soon as production could be resumed, we would return as a customer. And we were indeed one of the first customers to do so after the rebuilding of the facilities. Secondly, we helped our partner financially, enabling them to still employ those of their employees who used to work at our production line. Read about the case on page 22, Supplier responsibility.

Lodam joined the UN Global Compact initiative in 2012, and we continue to support the UN Global Compact and its ten principles on human rights, labour, the environment and anti-corruption. These principles reflect our continued 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

"This report gives an overview of our internal and external social responsibility activities from May 2014 to April 2015."



Lodam possesses
extensive knowledge
and know-how about de-
veloping, producing and
implementing innovative
and efficient electronic
climate control solutions.

Lodam electronics

Lodam possesses extensive knowledge and knowhow 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, or at a branch office in Aarhus, Denmark.

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.

Lodam in short

- 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 75%.

* Heating, Ventilation, Air Conditioning & Refrigeration



Lodam and social responsibility



Lodam's employees regard Lodam as a very socially responsible company. In the Danish Great Place to Work 2014 survey, organised by the Great Place to Work® Institute, 99% of all Lodam employees answered "I feel good about the way we contribute to society".

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

Lodam also supports a number of local clubs and associations, e.g. sports clubs in which our employees or their children are active. The employees can apply for sponsorships once a year.

In 2012, Lodam entered into a three-year partnership with SOS Children's Villages Denmark. In this way, Lodam has been contributing to an international organisation whose values match Lodam's own

values, and which works long-term in communities where Lodam has considerable business activities.

We have supported a project with educational activities in Asia. Both SOS Children's Villages and Lodam were pleased with the partnership. Signe Gjervig, Corporate Relationship Manager at SOS Children's Villages Denmark, has said how very grateful the organisation was for the donations from Lodam. They have contributed to making a difference for the actual project and improved the educational opportunities for children at an SOS school in Cambodia.

Lodam is now in the process of finding a new partner for another long-term period.

In 2014, 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. See www.verdensbedstenyheder.dk.



**THE
WORLD'S
BEST NEWS**

Social responsibility partnerships and networks

Human rights

- UN Global Compact, www.unglobalcompact.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
- Sponsorships for local clubs and associations in which Lodam employees are active

Employer branding and attraction

- Great Place to Work® Institute, www.greatplacetowork.dk

- Work Live Stay, www.work-live-stay.dk
- Career in Denmark, www.careerindenmark.com
- Dansk HR, www.danskhr.dk (in Danish)

Education

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

Innovation and technology

- CLEAN, Danish cleantech cluster, www.cleancluster.com
- Member of Mechatronics Cluster Denmark, www.mechatronicscluster.com (in Danish)

- Partner in local project "Green Power Electronics Test Lab", supported by e.g. Green Labs dk
- SPM, www.spm-erfa.dk
- Delta – EMC Klub, www.emc-klubben.dk (in Danish)
- Delta - Wireless Klubben, www.wirelessklubben.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 Sønderborg Vækstråd

Results goals and actions (May 2014 - April 2015)

Goal:

Continue to anchor the awareness of Lodam's social responsibility activities and policies among Lodam employees. Measured as part of employee satisfaction surveys (Great Place to Work®), above 95%.

Result:

99% of all Lodam employees answered "I feel good about the way we contribute to society" in the Danish Great Place to Work 2014 survey, organised by the Great Place to Work® Institute.

Goals and actions (May 2015 - April 2016)

Goal:

Continue to anchor the awareness of Lodam's social responsibility activities and policies among Lodam employees. Measured as part of employee satisfaction surveys (Great Place to Work®), above 95%.



Lodam supports the UN Global Compact and its ten principles on human rights, labour, the environment and anti-corruption.

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.

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.

Source: www.unglobalcompact.org

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 ways of minimising our environmental impact, and we are committed to devoting the strongest efforts to areas in which we can minimise our impact the most. Therefore, we focus on our products, which reduce energy consumption for end-users, see pages 16–21. However, we also focus on the manufacture of our products and our important localisation project. Moreover, we focus on the office facilities where we develop our products.

In the past period, we have worked with the following areas:

Localisation

Localisation is about streamlining logistics, increasing transport efficiency and manufacturing our 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 subsuppliers 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. We have worked with the localisation project for about a year, during which time we have focused on monitoring and reducing our use of air transport of product parts and components. Furthermore, we are looking into and evaluating potential subsuppliers which are located near the manufacturers. In particular, we are looking for subsuppliers of heavy components, which have the greatest impact during air transport.

We will continue the project for the next couple of years, focusing on optimisation.

Refurbished spare parts, pilot project

Lodam is working on a pilot project which involves looking into introducing refurbished spare parts. Apart from following the comprehensive national legislation on the recycling of electronic waste, we are looking into whether spare parts for one of our products can be refurbished, and to what extent. So far, the results are promising, and the project is continuing with a view to gaining more experience before rolling out the concept for other products. Apart from the obvious environmental benefits, our aim is for the refurbishing of spare parts to bring considerable advantages in terms of cost-efficiency and quality.

Environmental certification

Lodam has analysed whether it would be possible for Lodam to obtain ISO 14001 certification in 2016. Due to the scope of the certification process, this will not be possible. The idea is now to prepare a stepwise plan for the certification process. The plan will be prepared during 2015, after which we will decide if and when to initiate each step of the plan.

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 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. Having monitored the level of energy consumption, we realised that this building used more energy per square metre than the main building. In autumn 2014, the building was therefore insulated, as a result of which the energy consumption for this building has now been reduced to a satisfactory low level.

Lodam has rented a set of pavilions which we use as extra meeting rooms. However, these pavilions are heated by electricity, which is

not ideal, neither from a cost nor from an environmental point of view. We have investigated how to lower the energy consumption. The conclusion is that initiating new activities will be too expensive as our present plans are only to keep the pavilions for a few more years.

Ventilation systems are installed in all buildings (except the pavilions). These are very energy-friendly solutions, which also improve the indoor climate.

Company cars

In the past period, we have replaced our three company cars with new ones, as planned. The new cars are more fuel-efficient with smaller engines, ensuring lower CO2 emissions and better economy.



Energy consumption figures

The tables on this page shows our energy consumption and CO2 emissions for the past years relative to floor area and number of employees.

	2009	2010	2011	2012	2013	2014
kWh per sq m, total	110	152	127	122	142	137
kWh per sq m, ordinary facilities and activities	-	-	-	93	122	119
kWh per sq m, product testing	-	-	-	29	20	18
kWh per employee	5601	6801	5485	4649	5301	4376

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 was not as well-insulated as the other buildings, and thus more energy was used during the winter period in 2013.

In 2014, the low figures are partly due to a very mild winter and partly to the insulation of the building acquired in 2013.



	2009	2010	2011	2012	2013	2014
Tonnes of CO2 per sq m	0.040	0.043	0.050	0.039	0.043	0.043
Tonnes of CO2 per employee	2.043	1.921	2.167	1.493	1.609	1.363

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 using a tool on www.klimakompasset.dk.

“Private” energy opportunities for employees

In the past period, we held an after-hours meeting for employees at which an energy expert gave a talk on how to save energy at home. Subsequently, we bought two energy meters, which the employees can borrow to check the energy consumption of their various types of electrical equipment at home. Furthermore, we have established a page on the intranet for discussing and exchanging ideas 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 (has not yet taken

place at the time of release of this report).

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.

See www.fsc.org.

Results goals and actions (May 2014 - April 2015)**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. In the past period, we have insulated the building added to our headquarters in 2013. The energy consumption for this building has now been reduced to a satisfactory low level. In the past period, we have replaced our three company cars with new ones, which are more fuel-efficient, as planned.

Goal:

Continue to work with our localisation project to streamline logistics, increase transport efficiency and manufacture the products close to the markets for which they are destined. We will especially monitor our use of air transport.

Result:

We have focused on monitoring and reducing our use of air transport. We are evaluating potential subsuppliers of heavy components.

Goal:

Look into Life Cycle Analysis (LCA) of our products to support investment decisions and decisions on approach.

Result:

Lodam has obtained a basic knowledge of Life Cycle Analysis and ways to approach the subject. With this knowledge, we are ready to make decisions and prepare for analyses of our products in order to meet any requirements and expectations from our customers or arising from legislation to which we are subject.

Goals and actions (May 2015 - April 2016)**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 manufacture the products close to the markets for which they are destined. We will especially monitor our use of air transport.

Goal:

Prepare a stepwise plan in 2015 on how to obtain ISO 14001 certification. See page 23.

Lodam's energy-efficient products



“Innovative control solutions for climate system applications.”

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

Air handling units

Lodam's 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.



Case: Green heat pump controller



Torben Lauridsen and Vesttherm heat pumps.

Vesttherm is a Danish manufacturer of hot water heat pumps.

The company has supplied high-quality heat pumps to the European market for more than 30 years.

www.vesttherm.dk

The Energy Labelling Directive (2010/30/EU) establishes a framework for labelling and consumer information regarding energy consumption.

LDH 105 Green heat pump controller complies with new EU requirements for standby power

One of Lodam's very good customers for many years, the Danish company Vesttherm A/S, produces heat pumps for family houses. Lodam has delivered the LDH 105 heat pump controller for Vesttherm's heat pumps for many years.

As from 25 September 2015, Vesttherm has to comply with new regulations regarding the limits for energy consumption when the heat pump is in standby mode.

As soon as Vesttherm made an inquiry, Lodam started to redesign the heat pump controller to produce a new version which complies with the new regulations – the new controller is called LDH 105 Green.

The LDH 105 Green controller is scheduled to be approved by the Danish authorities (Danish Energy Agency) during June/July 2015 for delivery to Vesttherm in August 2015.

The Lodam heat pump controller controls and monitors the heat pump to ensure intelligent control of the heat and minimum energy consumption and costs. According to the new regulations, the LDH 105 Green now also ensures that the heat pump uses less than 1 watt when in standby mode.

Torben Lauridsen, Managing Director of Vesttherm, says: – As soon as we became aware of the new regulations, Lodam set to work on the redesign, delivering the new controller on time and at the same price level and to the same high standards as before.

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.



Air handling controller

A perfect climate everywhere with minimum energy consumption

How does the Lodam air handling unit 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.

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.



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 are our close partners. They have been carefully selected based on quality, innovation and flexibility. We also strive to select suppliers that are committed to maintaining high ethical standards in the same way that we are. Incorporating social responsibility in our supply chain is an ongoing process. We experience an overall positive attitude and approach from our partners in this matter.

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.

We have recently updated our Supplier Code of Conduct, which now includes a section on conflict minerals, and we are in the process of introducing the updated code of conduct to all our suppliers.

In the past period, we have prepared an overview of our suppliers' audit ratings and quality certifications, in preparation for identifying focus areas. The results show that all our strategic partners are ISO 9001-certified. Some of them also hold ISO 14001 certification, and some are even OHSAS 18001-certified. These certifications reflect the professional standards of our suppliers.

We will continue to monitor our suppliers' audit scores. So far, the trend is that scores are increasing with each audit, while the number of deviations is falling.

Lodam performs regular audits of our strategic suppliers, and our supplier audit templates include environmental, health and safety issues, ISO 14001 certifications and deviations, if any. The templates also include the use of solvents, discharge of waste water and disposal of waste in general at our suppliers' production facilities. For the time being, these registrations are used for monitoring purposes only; once we have acquired more comprehensive knowledge, we will decide how to proceed and which initiatives to introduce.

Conflict minerals

Conflict minerals are raw materials that come from particular parts of the world where conflicts occur and affect the mining and trading of those materials, e.g. tin, tungsten, tantalum and gold. These minerals are present in our electronic products through the components procured for our solutions. At present, we do not have the full picture of the origin of these materials, for which reason we have started 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.

Partner support after serious fire

In November 2014, one of our international EMS partners was hit by a serious incident which meant that some of their facilities were destroyed by fire. Fortunately, no one was hurt in the fire. However, the facilities destroyed housed our production line as well as our test equipment and stocks of components. Consequently, we were no longer able to supply some of our customers as scheduled.

Instead of taking immediate steps to transfer our production to another partner, we helped our partner in two ways. First, we promised that once production could be resumed, we would return as a customer. Secondly, based on this promise, our partner refrained from dismissing the highly skilled and specialised employees working at the Lodam production line. Our partner paid their basic salary, and Lodam paid for their overtime. This

meant that the employees could be paid their regular salary while the facilities were being rebuilt and until they were ready for production in January 2015, when full-time production resumed at the Lodam production line.

Results goals and actions (May 2014 - April 2015)

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.

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 (April 2015).
- b. We still introduce our Supplier Code of Conduct to new suppliers.

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.

Result:

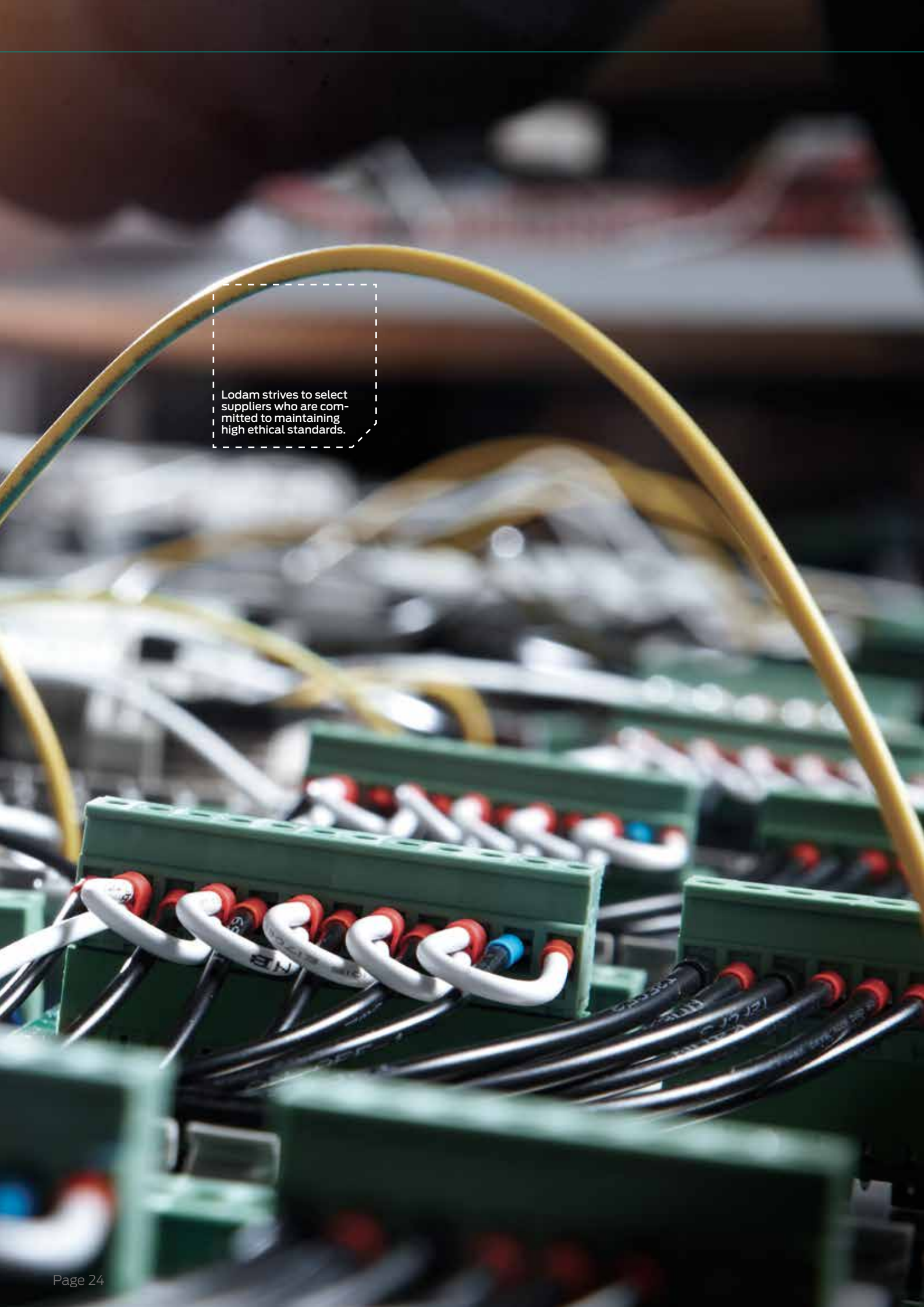
- a. Due to the scope of the certification process, it will not be possible to obtain certification in 2016. However, we will prepare a step-wise plan for the certification process, and then consider if and when to initiate each step of the plan. This goal has been moved to the section Environmental responsibility, see page 13.
- b. An overview has been prepared, and we will now monitor the suppliers' audit scores.

Goals and actions (May 2015 - April 2016)

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.



Lodam strives to select suppliers who are committed to maintaining high ethical standards.

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
- Conflict minerals

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 subsuppliers 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, overtime 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 overtime, or more than the limits on regular and overtime 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 overtime.

Freedom of association and right to collective bargaining

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

Discrimination

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

Harassment and disciplinary measures

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

Child labour

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

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

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

Forced labour

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

Health and safety

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

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

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

Environment

We expect the supplier to meet all relevant local and national environmental regulations and to strive to

minimise damaging effects to the environment.

Corruption and bribery

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

Conflict minerals

We expect the supplier to initiate a process to ensure delivery of "conflict-free minerals" products and to implement a conflict minerals policy that prohibits the purchase and use of conflict minerals.



People responsibility



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

Lodam is one of the very best workplaces in Denmark, and specifically one of the best when it comes to maintaining a healthy work-life balance. However, we want to become even better. Our overall vision is 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®.

In 2014, our trust index was 92%, and we were ranked as no. 14 among medium-sized companies in Denmark. We were also nominated for the Work-Life Balance Award for the second time.

To increase the trust index, we have defined specific goals in three focus areas:

- 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. See results at page 31.

Dialogue and communication

Lodam's management has introduced an Advisory Board to strengthen the dialogue between management and employees. The board makes it easier to ask questions, give feedback and communicate with the management in an open and informal manner – it is the employees' direct mouthpiece, where they can tell the management how they experience Lodam.

Through the Advisory Board, employees can also make suggestions for improvements at Lodam, which are then all considered by the board. Meeting bimonthly, the board consists of three members from the management team and six employee representatives chosen by the employees.

We have also prepared a strategy for internal communication, one of the focus points of which is to inform regularly on what is going on in the company right here and right now.

Another element in the communication strategy is about improving team and family spirit. Focus has generally shifted from team and family spirit across the entire organisation to the individual teams.

However, to strengthen the organisation-wide team spirit, we have installed information screens at our two locations. The screens display the same information in the form of brief notices about company activities, employee events, employee benefits, birthdays, jubilees etc.

Management and leadership

The 2014 Great Place to Work survey shows a further decline in the employees' view of the management's ability to manage and delegate, see page 31. Even though Lodam still achieves a very high score on this question compared to other companies, we consider this a serious decline, which we focus even more strongly on improving.

Our intensive leadership programme continues with a special focus on management and delegation. We also focus on strategy and especially on converting the strategy into specific activities in each division, so that each employee knows how and where to contribute.

Furthermore, we focus on not launching into new projects, tasks and ideas without having the necessary resources. To assist in this, we have developed a physical tool, called the "To-do? Board". This board is brought along to all division meetings and forces the participants to consider all projects

and initiatives in terms of the time they will take as well as their value in relation to our company strategies.

Work-life balance

In November 2014, Lodam was nominated for the Great Place to Work® Institute's Work-Life Balance Award for the second time. We strongly believe that a healthy work-life balance is key to ensuring a good work environment and to creating innovative products and business growth.

A number of initiatives have been introduced to help our employees strike a healthy balance between their working life and their private life, including training, coaching and individual work planning. We still make individual arrangements as well as offering a growing number of employee benefits.

One of the latest benefits to be introduced is the possibility of ordering a family dinner which is delivered to Lodam to take home after work on Friday afternoon.

In April and May 2015, a number of after-work meetings on work-life balance will be held at Lodam. All employees and their partners are invited.

Lodam's values

Our values are the foundation of our organisation. They help us to make business decisions and influence all of our interactions within the company – personal and professional.

Professionalism

We strive to be a competent, reliable business partner. A partner that keeps its promises and consistently delivers above the bar in terms of quality, service and value.

Inclusiveness

We believe in individualism with a respect for diversity and the many cultures that come together to work under our roof. We are driven by good attitudes, the mutual desire to achieve job satisfaction and our preparedness for change.

Good business acumen

We are driven by sound business practices in all daily decisions, both internally and externally. All decisions should be ethical and to the benefit of the company as a whole.

People responsibility goals

The indicators below relate to Lodam's ability to maintain and improve employee well-being, motivation and job satisfaction.

Furthermore, they give an indication of Lodam's ability to retain its employees, recruit new employees and create new jobs.

Description	2012	2013	2014	Target 2015	Comments
No. of employees	82 employees at 1 January 2013 An increase of 26%	91 employees at 1 January 2014 An increase of 11%	102 employees at 1 January 2015 An increase of 14%	An increase of below 5%	
Staff turnover	2.66%	6.9%	6.8% A little above the goal, which was to be below 5%.	Below 5%	Measured as the number of retired employees compared to the average number of employees.
Sick leave	1.52%	1.31%	1.7% The goal was not to exceed 1.8%.	Not to exceed 1.5%	Including long-term sick leave.
No. of physical injuries	0	0	1	0	An employee was injured by a fall due to some loose cables on the floor. Immediately afterwards all floors were thoroughly checked and precautions taken. Lodam focuses on preventive activities.
No. of psychological injuries, e.g. stress	0	0	0	0	Lodam focuses on preventive activities.
Agreed and accomplished competence development	-	85%: 67% accomplished and 18% scheduled. (1 May 2014)	86%: 67% accomplished and 19% scheduled. (1 May 2015)	90% divided as follows: 70% accomplished, and 20% scheduled. (1 May 2016)	The final 10% (of the target figures) are courses that cannot be accomplished for various reasons (cancelled by the organiser, postponed etc.).

Notes:

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 as 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	Goals
Significantly improve the management's ability to manage and delegate the work.	66%	81%	79%	71%	Above 90% A major focus point.
Significantly improve the employees' experience of team and family spirit.	80%	81%	84%	88%	Above 90% Important and still a focus point.
Significantly improve the employees' experience that their colleagues work just as hard as they do.	84%	92%	90%	93%	Above 90% Accomplished, no longer a specific focus point.
Trust index: Refers to the Trust Index® Employee Survey, which measures employee engagement by surveying employee opinions, attitudes and perceptions on the level of trust between colleagues and between management and employees.	89%	93%	93%	92%	95%

Notes:

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

A green smiley from the Working Environment Authority

The Working Environment Authority has conducted an inspection at Lodam in april 2015 in order to go through Lodam's working environment and evaluate if we comply with the regulations. As a result the Working Environment Authority

has published a green smiley for Lodam at their website. A green smiley indicates that Lodam has no issues with the Working Environment Authority in terms of health and safety.

Anti-corruption



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

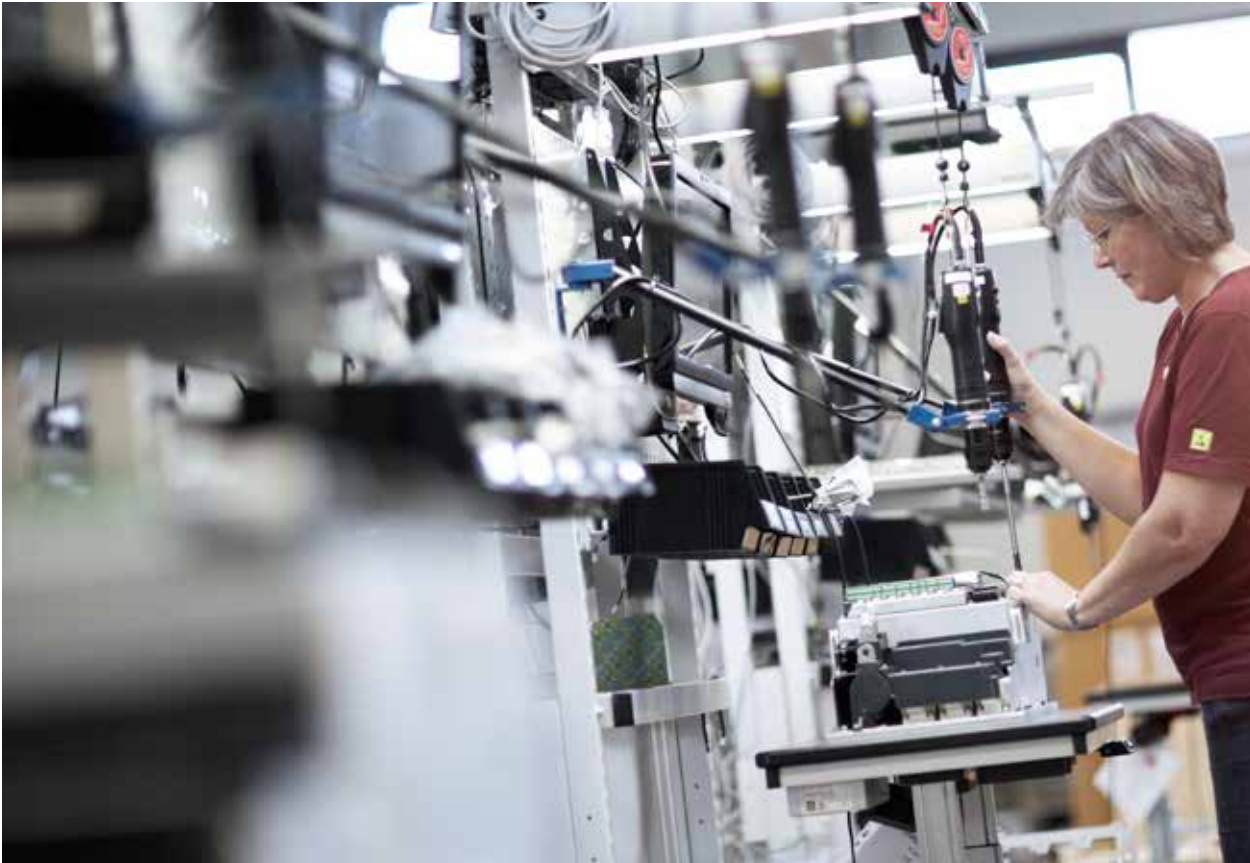
Lodam strives to maintain strong ethical standards and to be a company of good standing and integrity. Lodam’s anti-corruption policy is based on the UN’s Convention against Corruption as well as our obligations under the tenth principle of the UN Global Compact initiative: Businesses should work against 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 (see 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 also 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 includes information on grey areas between corruption and building relationships and what the reasonability principle means.



Results goals and actions (May 2014 - April 2015)

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.

Result:

- a. An annual general instruction was held in January 2015. The instruction is part of Lodam's general internal training programme.
- b. Special annual instructions to employees with many external contacts were held in January and February 2015. Participation is registered.
- c. No incident has been registered (as per 1 May 2015).

Goals and actions (May 2015 - April 2016)

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.



99% of all Lodam employees feel good about the way Lodam contributes to society.

Final words and facts

Working in a company that focuses on social responsibility is very important to our employees. The 2014 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".

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

Facts

Date of issue of this communication on progress (COP):

1 May 2015

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Lodam electronics a/s

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DK-6400 Sønderborg

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Bank: Sydbank A/S, CVR no.:

DK12626509

No. of employees on date of

issue: 105

Management:

Henning H. Kristensen, CEO

Tore Østergaard, COO

Board of Directors:

Peter Schaufler

Helmut Meyer

Rainer Grosse-Kracht

Jürgen Kleiner

Christian Wehrle

Kristian Strand

Date of signing the UN Global Compact:

13 March 2012

This report has been printed using environmentally friendly ink on FSC-certified paper in a limited number of copies. See www.fsc.org.

Innovative and energy saving climate control

When it comes to climate control Lodam is one of the most experienced you can turn to. For more than four decades we have developed, produced and implemented electronic solutions dedicated to optimising applications like:

- Compressors
- Condensing units
- Heat pumps
- Air conditioning
- Refrigerated truck and trailer
- Reefer containers

We know the importance of reliable, energy-efficient operation – and constantly push technological boundaries to bring you the most innovative and forward-thinking solutions.

As part of the BITZER Group we are backed by one of the world's leading players in the refrigeration and air conditioning industry. This alliance provides us with extensive network and application knowhow and allows us to stay at the forefront of climate control innovation. And to help ensure comfortable surroundings for humans and reliable protection of valuable goods anywhere in the world.