

Lodam report on social responsibility, 2018

Social responsibility

Lodam at a glance

111

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

2012

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

13 & 17

The two Global Goals that Lodam supports in particular: 13. Climate action and 17. Partnerships for the goals.

11

No. 11 on the Great Place to Work® Institute's list of the best workplaces in Denmark 2017.

80%

Accomplished and agreed competence development.

1.234

Tonnes of CO2 per employee in 2017.

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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.

Management 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 2017 to April 2018. 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.

People responsibility is important to us, and we keep measuring employee well-being via the Danish "Great Place to Work" employee survey, organized by the Great Place to Work® Institute. In November 2017

Lodam was ranked as no. 11 in the category of medium-sized companies in the Best Workplaces in Denmark list. It is a great achievement, that Lodam now throughout the last seven years, constantly have been in the absolute top of this list. This is something we are very proud of and something we aim to maintain in the years to come.

For Lodam, the past period has been characterized by adapting our organizational approaches and strategies to meet the requirements from our customers. We have focused on setting the direction of the company and communicating it to all employees, and we have special focus on cross-organizational collaboration, which is decisive to succeed with

complex development and production projects.

In May 2015 Lodam entered into a partnership with the technical humanitarian organization Engineers Without Borders Denmark (Ingeniører Uden Grænser) in order to contribute to advance broader societal goals such as the UN Sustainable Development Goals. We are glad, that some of the things we have contributed with in this period have made a difference for the organization.

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,



Anna Marie Damgaard Kristensen,
Managing Director



Henning Højberg Kristensen,
Managing Director



Anna Marie Damgaard Kristensen
Managing Director



Henning Højberg Kristensen
Managing Director

"The aim is to provide our customers, employees and other stakeholders with insights into Lodam's work with social responsibility."



Our mission is to be a global player within intelligent electronics for HVAC&R. We provide cost-effective and high-quality solutions, enabling our customers to consistently outperform their peers in usability, serviceability and energy efficiency.

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, 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 working 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 all over the world, for instance in the following areas:

- OEM solutions for heat pump and ventilation systems
- Compressor electronics
- 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 player within intelligent electronics for HVAC&R. We provide 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 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



The Global Goals

In September 2015, world leaders committed to 17 Global Goals to achieve three extraordinary things in the next 15 years: End extreme poverty, fight inequality and injustice and fix climate change. Ref. www.globalgoals.org.

Lodam is committed to supporting the 17 Global Goals. Given the nature of our business and our products, we contribute, in particular, to achieving 2 out of the 17 goals:

13. Climate action: Take urgent action to combat climate change and its impacts.

Lodam contributes through the supply of energy-saving electronic climate control solutions. Read about our products and how they save energy on pages (18-21)

17. Partnerships for the goals:

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Lodam is a partner of Engineers Without Borders Denmark, which is a technical humanitarian organisation that aims to help the world's poorest in building a better and more sustainable future.

Looking outwards

As an international company we also look outwards when it comes to human rights and social responsibility. In 2015, Lodam entered into a three-year partnership with Engineers Without Borders Denmark (Ingeniører Uden Grænser (IUG)), which is part of Engineers Without Borders International, www.iug.dk. IUG is a technical humanitarian organization that, through the vision “a life after survival”, aims to restore lifesaving services for people in need. They work in disaster-affected areas to ensure access to safe drinking water, proper sanitation and emergency shelter, as quickly as possible. IUG also provides assistance and support to projects in developing countries where their members’ technical knowledge can help alleviate suffering and fight poverty.

Participating in customer’s responsible procurement programme

Lodam supplies Maersk Container

Industry with controllers, which are used in the Star Cool refrigerating units, and has been doing so since the launch of the units in 2006. One of Maersk Container Industry’s sustainability targets is to reduce energy consumption, which is one of the reasons why they have chosen Lodam’s energy-efficient cooling control solutions for their reefer containers.

In 2011, Maersk Container Industry invited Lodam to take part in its Responsible Procurement programme, and in November 2015 they asked Lodam to participate in a sustainability status interview in order to learn about Lodam’s experiences.

These are some of Lodam’s experiences from participating in Maersk Container Industry’s responsible procurement program:

“Maersk Container Industry’s request was the opportunity to look at our work with Corporate

Social Responsibility (CSR) from a strategic point of view. At the time, we were already following the principles behind social responsibility but hadn’t formalised it.

It made good sense for Lodam to take this step. Not only because we have business worldwide but also because it was during a phase when we were growing substantially – doubling our number of employees.

The program was an essential trigger to put focus on our CSR work and we also decided to join the United Nations Global Compact as a natural step of this process.”

**INGENIØRER
UDEN GRÆNSER**

Lodam's social responsibility partnerships and networks

Lodam is member of a number of networks, supporting social responsibility activities together with other companies and organisations. The list below illustrates Lodam's commitment to human rights, environmental innovation

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 employ-

ees or their children are active. The employees can apply for sponsorships once a year.

Human rights

- UN Global Compact, www.unglobalcompact.org
- Engineers Without Borders Denmark / Ingeniører uden grænser, www.iug.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)

- Cabi, www.cabiweb.dk (in Danish)
- cleantech.talentattractiondenmark.com

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
- Guest lectures in e.g. technology and innovation, sales and marketing and CSR

Innovation and technology

- TEGnology, www.tegnology.dk
- 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, [\[klubben.dk\]\(http://klubben.dk\) \(in Danish\)](http://www.emc-</div><div data-bbox=)

- Delta – Wireless Klubben, www.wirelessklubben.dk (in Danish)
- Fachverband Gebäude-Klima, www.fgk.de (in German)
- ASERCOM – Association of European Refrigeration Component Manufacturers, www.asercom.org

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, vaekstraad.sonderborg.dk

Results goals and actions (May 2017 - April 2018)

Goal:

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

Result:

98% of all Lodam employees answered "I feel good about the way we contribute to society" in the Danish Great Place to Work 2017 survey, organised by the Great Place to Work® Institute.


New goals and actions (May 2018 - April 2019)

Goal:

Continue to anchor the awareness of Lodam's social responsibility activities and policies among Lodam employees. Measured as part of employee satisfaction survey (Great Place to Work®), above 98%.



Lodam supports local clubs and associations.



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

UN Global Compact

The world's largest corporate sustainability initiative

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 anticorruption:

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.



Case:

Lodam helps educating disabled in Kenema

Together with IUG Lodam are focusing on building opportunities for the world's poorest. The goal is to create a better and more sustainable future in their local environments.

Torben Jandorf, IUG Denmark (Engineers Without Borders International) is looking at the sun rising in Kenema this morning. During the next two weeks he will investigate whether a financial help can lift the Opportunity Training Center in Kenema to a higher level.

Lodam entered into a partnership with IUG in 2015. The aim was to support a project which focus on sustainability and assistance supplementary to ongoing efforts in the local environment.

"We are proud of doing a difference through the OTC in Kenema. It's an example of sustainable help where individuals throughout education gets a brighter future," says Anne

Vibeke Madsen, HR Manager at Lodam.

The OTC is a training center which ensures that disabled individuals are getting an education and a brighter future without poverty. Disability is a major issue in Kenema, where 2,4 % of the population are disabled. The country has had major issues with the polio disease and is, besides that, still suffering from different horrendous methods used during the Civil war 20 years ago.

61 people are today a part of the OTC. They are doing different activities within tailoring, electronics, metal, hairdressing and IT-learning. They are also engaged in creating sustainable solar systems for the future. One big issue must be solved before further development – The lack of electricity.

Electric supply to the OTC comes from primarily Water Power Plants

around Kenema City. This means that the supply is periodically stable in the rain season (from May to October), but in fact not available in the dry season which stretches over 6 months. The establishing of a E-power station is therefore vital in the future developments in Kenema.

IUG are now working closely together with OTC on establishing a stable energy supply and creating a new IT-Learning Dept., a solar cell system and the best possible internet connection to open a new world for many disabled in Kenema.

Environmental responsibility



Lodam takes an environmentally responsible approach to the running of our business, and we focus on the areas where we can minimise our impact on the environment the most. One area is our products that reduce energy consumption for end-users, ref pages 18-21. We also require that our suppliers take care of the environment, ref. our Supplier Code of Conduct ref pages 25-27.

In-house we look at optimisation at our facilities. We keep a list of ideas for environmental improvements. The list is available to all employees, who may also add ideas to the list. The ideas are evaluated at regular CSR meetings, where it is decided which ideas to look further into or implement. Many of the ideas have already been implemented, and there are still being added new ideas to the list.

The ideas that have been implemented since the last report range from insulation of a building to serving tap water to guests instead of bottled water (which makes perfectly sense in Denmark that has some of the cleanest tap water in the world).

These are some of the areas we also focus on:

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”. The purpose of Lodam’s localisation project is to ensure that our 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.

In the past period we have focused on reducing air transport as this is both the most expensive, and also the most energy-intensive mode of transport. We have specifically focused on monitoring and reducing our use of air transport of product parts and components. Furthermore, we have looked into and evaluated potential sub-suppliers, which are located near the manufacturers. In particular, we have been looking for sub-suppliers of heavy components, which have the greatest impact during air transport.

The result has been a considerable fall in use of air transport, and in general a decrease in sea and land transport.

We will continue the project and our focus will now be on anchoring the processes in the long term.



Refurbished spare parts

Lodam has finalised a pilot project that involved looking into introducing refurbished spare parts.

Apart from following developments in national legislation on the recycling of electronic waste, we looked into whether spare parts for one of our products could be refurbished, and to what extent. The pilot project was a success, and following evaluation by the customer, it was included in our regular scope of supply.

Based on our experience from the pilot project, we are now considering extending the concept to other customers. We see considerable long-term potential.

Apart from the obvious environmental benefits, our aim is for the refurbishment of spare parts to bring considerable advantages for customers in terms of both cost-efficiency and quality.

Environmental certification

Lodam has looked into the process of obtaining ISO 14001 certification in terms of scope, costs, risk analyses and strategy, and we have established a detailed overview of the steps involved. An actual plan for the certification process will be

made, either if requested by one of our customers, or if Lodam believes that this would be a good idea and in line with Lodam's strategies.

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.

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. However, we have concluded, 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. From January 2016 all ventilation systems are controlled again by week programs (active on working days from 6 am till 6 pm). The week programs have been switched off for some time due to internal test purposes in our development department (the ventilation systems are controlled by Lodam software), so we expect to see the energy savings being affected in our consumption figures below next year.

Energy consumption

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

	2010	2011	2012	2013	2014	2015	2016	2017
kWh per m ²	152	127	122	142	137	143	147	150
hereof kWh per m ² for testing	-	-	29	20	18	15	14	14
kWh per employee	6802	5485	4649	5301	4649	4648	4885	4546

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.

The low figures for 2014 are partly due to a very mild winter and partly to the insulation of the building acquired 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.

In 2017 we made an agreement with Ørsted about 100% removal of biological gas. This shows in the numbers, which is the lowest we have had in the last 10 years.



	2010	2011	2012	2013	2014	2015	2016	2017
Tonnes of CO ₂ per m ²	0.043	0.050	0.039	0.043	0.043	0.036	0.038	0.036
Tonnes of CO ₂ per employee	1.921	2.167	1.493	1.609	1.448	1.180	1.276	1.234

Notes:

Some of our energy consumption relates to natural gas, which is weighted more highly in the CO₂ emission calculations.

Above we show our CO₂ emissions,

also relative to floor area and number of employees.

The above CO₂ calculations are made using a tool on www.klimakompasset.dk.

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 activities, inspections are only carried out about every three - five years.

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

The next inspection is expected to take place in 2018 (it has not yet taken place at the time of release of this report).

Energy audit according to 2012/27/EU

As part of the BITZER Group, a large international group, Lodam is subject to the EU Energy Efficiency Directive (2012/27/EU). Therefore, an external consultant performed an energy audit of our facilities in January/February 2016.

The audit resulted in a report with a few recommendations for improvements to the existing installations.

The recommendations will be added to Lodam's list of initiatives and will subsequently be evaluated and implemented where it makes sense. Lodam's facilities are generally energy-optimised and in a good condition.

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 2017- April 2018)

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 last period, we have replaced 350 fluorescent tubes with energy-conserving LED-lightning tubes, and insulated hot water pipes. The list is available to all Lodam employees on the intranet.

Goal:

Continue to work with our localisation project to streamline logistics, increase transport efficiency and manufacture products close to the markets for which they are destined. Our focus will be on anchoring the processes in the long term.

Result:

The result so far has been a considerable fall in the use of air transport, and a general decrease in sea and land transport as well.

New goals and actions (May 2018 - April 2019)

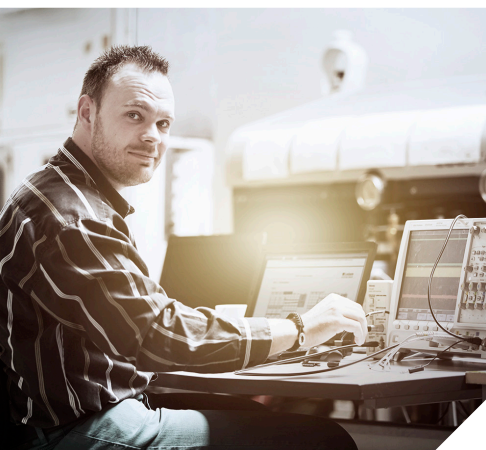
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Goal:

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Lodam's energy-efficient products



“Innovative control solutions used all over the world.”

Lodam develops innovative control solutions for heating, ventilation and refrigeration systems. Today, the solutions are used all over the world, for instance in the following areas:

OEM solutions

- Heat pumps
- Ventilation systems
- Others

Compressor electronics

- Compressor protection and monitoring
- Frequency converters

Transport

- Reefer application
- Truck & Trailer units

Monitoring & Control solutions

- Energy optimization
- Remote monitoring
- Indoor climate

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.

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 converters

Lodam's converter solution electronically controls compressor capacity to match actual cooling demands by changing the compressor speed. The result is improved 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 a frequency converter.
- 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.



Ventilation controller

A perfect climate everywhere with minimum energy consumption

With Lodam's ventilation controller, a perfect climate can be created everywhere with minimum energy consumption due to demand-driven ventilation. The ventilation 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 ventilation costs energy, the

goal is to ensure optimised comfort using as little energy as possible.

Lodam's ventilation system has a number of features that contribute to that goal. Some of the features include remote access, which allows support and service from the office, as well as advanced status alarms to facilitate fault finding.

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

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



Remote caretaking

A perfect indoor climate at all hours

How does the Lodam remote caretaking service save energy?

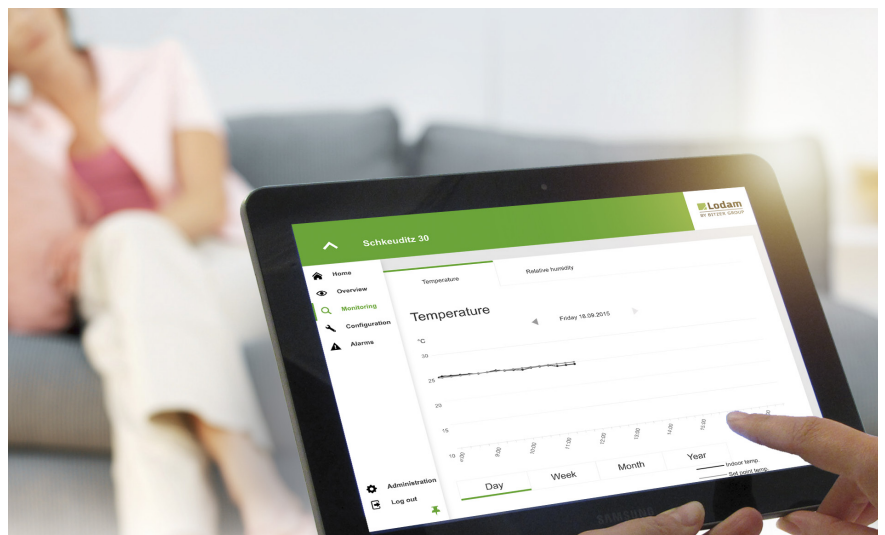
- Optimising the operation of ventilation systems ensures a perfect indoor climate with minimum energy consumption. However, if one or more systems are turned off, either due to technical errors or by a tenant, there will be an instant increase in energy consumption. With the remote caretaking service, it is possible to monitor that all systems are running in the most optimised way, receive alarms if one or more of them are not, and subsequently remotely reconfigure and restart them.

With Lodam's remote caretaking service, it is possible to monitor and configure all ventilation systems in a building or a block of flats from a central location via a web-based application on a PC or via a smart-phone application.

Remote access to ventilation systems is a unique opportunity to ensure optimised operation of the ventilation systems level at all times.

The caretaking service has three significant advantages:

- By ensuring that the systems run efficiently at all times, it is possible to prevent outbreaks of mould in flats. Mould is unhealthy for those living in the flats and expensive for the landlord to remove.
- In case of fire near a building or block of flats, it is possible to remotely turn off all ventilation systems in order to prevent smoke from entering the building or flats and causing smoke inhalation injuries.
- By remote-controlling all ventilation systems, you do not have to arrange service visits to each individual flat. This is convenient and saves time for both landlords and tenants.



Lodam Star Cool Controller

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

- Reefer containers
- Truck & Trailer Units

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 minimum 30%, but savings of up to 140% are possible compared to using conventional reefer containers.

The Star Cool controller features a unique humidity control system, which minimizes weight loss and guaranteed even higher product quality upon delivery. Star Cool containers with the CA technology is now the preferred choice for Mexican avocado producers. The Star Cool CA system offers according to local Sales Export Manager, Roberto Rodriguez, the longest shelf life and reliability compared to other CA systems on the market. Furthermore, the Star Cool controller sets new standards for user-friendliness and safety.





Lodam develops innovative control solutions for climate system applications.

Supplier responsibility

Lodam's suppliers are our close partners. They have been carefully selected based on their quality, innovation and flexibility. We strive to select suppliers that are committed to maintaining high ethical standards in the same way that we are. The incorporation of social responsibility into our supply chain is an ongoing process, and we generally experience a positive attitude and approach from our partners in this matter.

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.

For some of our suppliers, we also perform audits of their suppliers, i.e. at the next supplier level, using the same supplier audit templates. This is the case for selected, strategic suppliers, or suppliers where we know from experience that it would be a good idea. The main purpose is to ensure the right quality of their deliveries; however, the audits also cover environmental, health and safety issues.

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 part of 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, but we have started requesting the necessary information from our suppliers. Due to the complexity of our supply chain, this is an ongoing process.

Results goals and actions (May 2017 - April 2018)

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 2017).
- b. We still introduce our Supplier Code of Conduct to new suppliers.

New goals and actions (May 2018 - April 2019)

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.

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

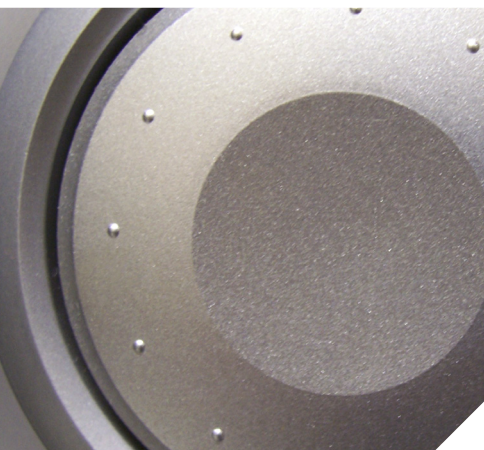
Furthermore, our suppliers are required to comply with all relevant national legislation and regulations.

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.





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 of the Trust Index® Employee Survey by the Great Place To Work® Institute.

Lodam is still one of the very best workplaces in Denmark. In 2017, our trust index was 93% and we are ranked as no. 11 among medium-sized companies in Denmark by the Great Place to Work Institute®, which is an advancement from the year before. Furthermore, we received the communication award and were nominated for the diversity award.

In this report, we have chosen to present some of the areas that we have focused on in particular since the last report in order to meet our vision, which 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®.

Management and leadership

We have improved the employees' view of the management's ability to manage and delegate. One of the basic things we have focused on is for the individual manager to reserve more time to leadership.

Another focus area has been to increase the empowerment in the organisation. That is to move the decisiveness from the management into the organisation. The management has worked with this at management seminars and also discussed the theme with Lodam's Advisory Board, which comprises both employees and managers.

From a top level perspective, we have focused on setting the direction of the company and communicating it. In the beginning of 2018 the managing directors met the individual departments and presented the strategy with focus on the 2018 goals. Hereafter each department focus on converting the strategy into relevant areas, where each department and each employee can contribute. The strategy efforts are also followed up with focus on the leadership and co-operation guidelines.

Cross-organisational collaboration

Cooperation and knowledge sharing across the organization is decisive to succeed with complex development and production projects. We have worked to improve our abilities to match expectations including our dialogue competences in order to reach the planned goals.

One of our tools to work with cross-organizational collaboration is to make agreements on specific issues between two departments. One example is an agreement between Sales and R&D on how to have a closer relationship between the customer and R&D, where the two departments have agreed to use the same terms and definitions – to speak the same language.

Other tools are accomplishing value stream mapping projects and working with a thorough project model to have a common basis for the collaboration.

Dialogue and communication are thus very important. Receiving the communication award from the Great Place to Work Institute® in 2015 shows us that we are on the right track, but we still have work to do.

Cross-organization collaboration is very much supported by a strong experience of team and family spirit, which is why we still work on improving this goal.

In the years to come, improved cross-organizational collaboration through improved organizational cohesion will remain a focus point.

Diversity / Inclusiveness

Inclusiveness is one of our values. This value is multifaceted, but it also includes our responsibility to include people in training and education to become strong members of the workforce. These are examples of how we contribute:

- Under an agreement with the local university (SDU), we offer four student jobs every year for engineer students. Every year, we offer four internships for students of engineering.

- We have four internships for engineer students every year.
- Every year, we have two or three students write their final thesis at Lodam every year.
- We always have one PhD student
- We always have one apprentice. At the moment, we have two, one of them being an apprentice from a new education (EUX) within electronics.
- We take one new graduate, if possible,
- We make room for employees who need special employment conditions.



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 idea of Lodam's ability to retain employ-

ees, recruit new employees and create new jobs. . These numbers relate to our overall 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 goals set out below are specifically important to us.

Description	2013	2014	2015	2016	2017	Target 2018	Comments
No. of employees	91 employees at 1 January 2014 An increase of 11%	102 employees at 1 January 2015 An increase of 14%	101 employees at 1 January 2016 Target was an increase of less than 5%	103 employees at 1 January 2017 An increase of 2%	107 (January 2017) An increase of 4%	An increase of 4%	We expect an increase of employees during 2018.
Staff turnover	6.9%	6.8%	11.9 (3% of whom retired) Above target, which was below 5%	6.8%	About 15%	About 5-10%	Measured as the no. of employees who left the company compared to the average no. of employees.
Sick leave	1.31%	1.7%	1.66 The target was not to exceed 1.5%	3.0% (excl. long term sick leave 1.4%)	3.2% (excl. long term sick leave 1.5%)	Not to exceed 1.8%	Incl. long-term sick leave.
No. of physical injuries	0	1	0	1	0	0	Lodam focuses on preventive activities.
No. of psychological injuries, e.g. stress	0	0	1 case of stress-related sick leave	2 cases of stress-related sick leave	1	0	Lodam focuses on preventive activities. All managers have attended a course on how to prevent and spot stress at an early stage.
Agreed and accomplished competence development	85%: 67% accomplished and 18% scheduled (1 May 2014)	86%: 67% accomplished and 19% scheduled (1 May 2015)	80% 61% accomplished and 19% scheduled (1 May 2016)	80% 70% accomplished and 10% scheduled	80% 65 % Accomplished and 15% scheduled (May 2018)	Working on 80% (June 2019)	The final 20% 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.



Anti-corruption



“Lodam has an internal gift policy based on the reasonability principle.”

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 can 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 2017 - April 2018)

Goal:

Continued 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 2016. The instruction is part of Lodam's general internal training programme.
- b. Special annual instructions to employees with many external contacts were held in 2016. Participation is registered.
- c. No incidents have been registered (as per 1 May 2018).

Nwe goals and actions (May 2018 - April 2019)

Goal:

Continued communication of Lodam's anti-corruption policies:

- a. An annual general instruction to all new employees.
- b. Special annual instructions to new employees with considerable external contacts (sales managers, purchasing officers etc.).
- c. Registration of incidents of corruption, if any.



96% of all Lodam employees feel good about the way Lodam contributes to society.

Final words and facts

Lodam's report on social responsibility is one of five accountings that Lodam accomplishes each year. The other four are our financial statements, our quality assurance accountings, our customer satisfaction survey and the Great Place to Work® employee survey. These are accountings in which we measure ourselves in relation to our targets and goals.

The overall purpose of the CSR-report is to report on Lodam's continued, prioritised efforts within the

framework of UN Global Compact, in order to show our social responsibility towards customers, suppliers and employees.

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

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2 May 2018

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Lodam electronics a/s

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No. of employees on date of

issue: 111

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Anna Marie Damgaard

Kristensen, Managing Director

Henning H. Kristensen, Managing

Director

Board of Directors:

Christian Wehrle

Gianbattista Parlanti

Rainer Große-Kracht

Frank Hartmann

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 applications

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.