

Environmental and Social Data Sheet

Overview

Project Name: DANFOSS RDI
Project Number: 2014-0121
Country: Denmark, Germany, France
Project Description: The project comprises the promoter's EU-based RDI activity in its four divisions of Power Solutions, Cooling, Drives and Heating. The activities will be carried out in the period 2015-2018 mainly in the promoter's R&D centre located in Denmark, partly in Germany and France and in other EU countries.

EIA required: no

Project included in Carbon Footprint Exercise¹: no

(Details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Summary of Environmental and Social Assessment, including key issues and overall conclusion and recommendation

The project Research, Development and Innovation (RDI) activities do not fall under any annexes of the Directive 2011/92/EU and will be carried out in existing facilities already authorized that will not change the scope due to the project. An EIA is therefore not needed.

Environment and occupational health and safety issues are embedded in the promoter's management system; all the major promoter's locations are certified ISO 14001 and OHSAS 18001.

The project, if successful, will have positive environmental effects leading to the introduction on the market of better performing and more environmentally friendly equipment that will substitute less eco-friendly devices.

In the light of the above, the project is acceptable for the Bank's financing from the environmental point of view.

Environmental and Social Assessment

Environmental Assessment

The promoter has plans to certify all manufacturing sites according to the ISO 14001 Environmental Management Standard and the Danish sites to the OHSAS 18001 Occupational Health and Safety Management Standard as well. 13 factories are not yet operating an environmental management system certified to ISO 14001. Five of these factories are from Danfoss Heating, one from Danfoss Colling and seven from Danfoss Power Solutions. All factories in Denmark are also certified to OHSAS 18001 along with all factories in India and Slovakia. Danfoss Power Solutions has furthermore OHSAS 18001 or similar certifications at their factories in Italy, Poland and Germany while three of five sites in the USA hold the OHSAS 18001 certification.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

In 2015, Danfoss continued the efforts to reduce energy consumption and CO₂ emissions and extended its on-going global energy-saving project to include its 21 largest factories. The project focuses primarily on energy consumption in buildings, whereas the energy used for production processes will be added as focal points from 2016. The 21 largest factories account for 70% of Danfoss' total energy consumption. Half of the energy consumed is used for buildings and supply and the rest for production processes. The savings potential of the global project is estimated to be 34% of the energy used in buildings equal to 16% of the total energy consumption in the 21 largest factories and cut the energy bill by more than 40%. The largest saving potentials are identified as ventilation (39%); process cooling (35%); air-conditioning (30%) and heating (22%). Danfoss has identified more than 160 projects at the sites currently in the program. By the end of 2015, 56% of the project has been implemented and 36% of the savings harvested. The remaining parts of the project will be implemented in the coming years. These projects were still on-going at the time of the appraisal.

With regards to harmful substances, Danfoss adopts a global Negative List to reduce the use of harmful substances in processes, and to ensure that unwanted substances are used neither in production nor in the products. As part of the promoter's efforts to limit the use of harmful chemicals, Danfoss complies with the requirements set out in the EU's chemical regulation REACH, and ensures that customers and suppliers are accurately informed about the chemicals in the products.

In the past Danfoss has worked systematically with risk assessment and supplier management. In addition to following the Code of Conduct, suppliers of goods used directly in Danfoss products are subject to an audit in which they are assessed by Danfoss' own specialists, or an external independent consultant if the supplier operates in a country that Danfoss believes represents a substantial risk of human rights abuses or such like.

With regard to procurement, the promoter has set up a dedicated organization to handle supplier management and assessment; thereby taking responsibility to ensure that the supply chain complies with the principles in the Global Compact. Danfoss continually adapts its procurement organization and its supplier management tools. As a result, the procurement organization was expanded to cover the entire Group, including Danfoss Power Solutions, effective from July 2013.

Danfoss decided in 2015 to move the Code of Conduct Competence Centre from Denmark to India. The new organization is expected to maintain the engagement with suppliers to ensure compliance with not only Danfoss' Code of Conduct but also local legislation within environment, safety, working conditions and human rights.

Other Environmental and Social Aspects

The promoter is committed to sustainable development, integrating social responsibility, environment and climate considerations into its business development. The company supports the UN Global Compact, promoting responsible business conduct, and is continuously working to reduce the energy footprint of its own operations.

Danfoss has defined a sustainability program based on global megatrends, the Group's expectations in relation to future growth areas within food, infrastructure, climate and energy, and interviews with managers and key employees at the Danfoss divisions and corporate functions. The program will be implemented in 2014-2017. The program supports Danfoss' strategy with regards to profitable growth and will ensure achievements in prioritized areas through a clear structure, goals and follow-up.

In 2008, Danfoss launched the Ethics Handbook, a set of guidelines for ethical behaviour aimed at all Danfoss employees. The Ethics Handbook has been updated several times, most recently in 2015. The updates are based on the experience gained from the use of the ethical guidelines. The Ethics Handbook outlines Danfoss' ethical guidelines, with regard to employees, external partners and the society as a whole and is implemented throughout the Group.

Danfoss has implemented compliance programs for anti-corruption, competition law and export control. Compliance is verified through follow-up procedures that include internal inspections and other measures. In addition, Danfoss has an "AskUs" enquiry function, from which employees can seek advice and guidance on ethical conduct. Danfoss also operates an Ethics Hotline (whistle-blower line) which employees can use to anonymously report suspected violations of the law or internal guidelines.