

Webinarrække om bæredygtighed

CSRD - Hvad skal du vide, og hvordan kommer din virksomhed godt fra start?

26. oktober 2022



Webinar om CSRD - Dagsorden

9:00 - 9:05 Velkomst / Susanne Stormer, PwC

9:05 - 9:20 Hvad skal du vide om CSRD / Susanne Stormer, PwC

9:20 - 9:30 Integreret rapportering i Danfoss / Kasper Elbjørn, Danfoss

9:30 - 9:55 Tips til CSRD samt Q&A / Erik Johnson, PwC

9:55 - 10:00 Afrunding / Susanne Stormer, PwC



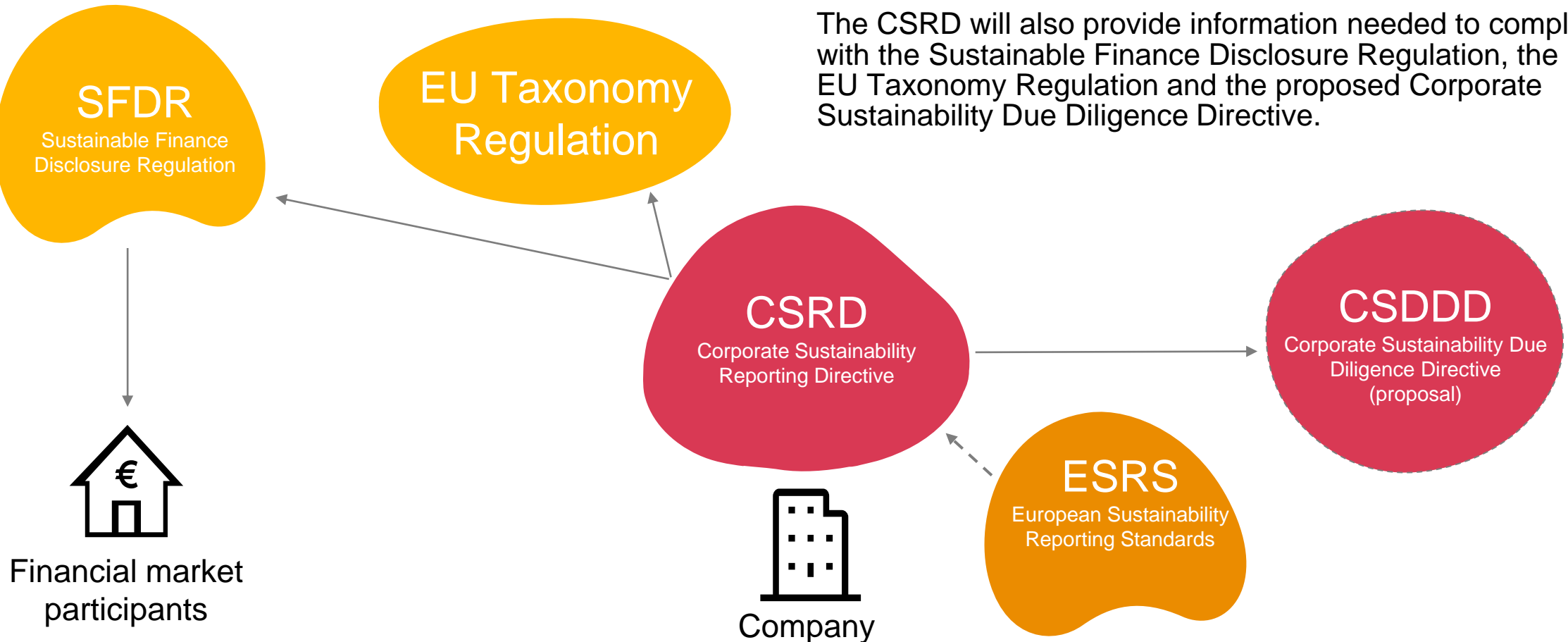
Hvad skal du vide om CSRD

Susanne Stormer,
PwC Partner, ESG and
Sustainability Services Leader

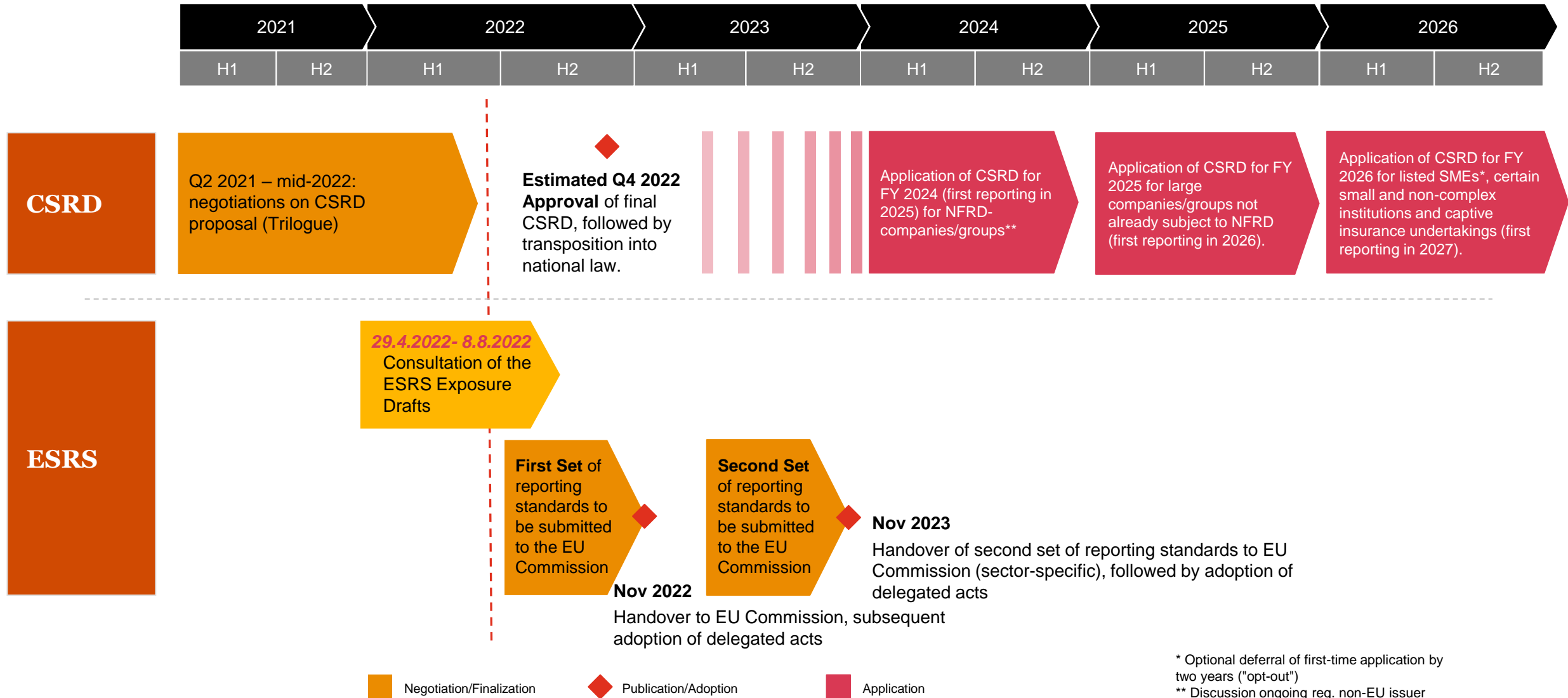
The CSRD is the backbone of the EU sustainability regulation

The CSRD will provide ESG information to the market in its own right based on the ESRS.

The CSRD will also provide information needed to comply with the Sustainable Finance Disclosure Regulation, the EU Taxonomy Regulation and the proposed Corporate Sustainability Due Diligence Directive.



Where we are in the process at the moment



Main changes that are introduced with the CSRD

Main changes



Who?

Significant **extension of the scope** of sustainability reporting

What?

- **Expanding the content** of sustainability reports
- EU will create own reporting **standards**
- **Double materiality** clearly defined

Where?

Sustainability report mandatory component of the (consolidated) **management report**

How?

Electronic format and **tagging** of sustainability reports mandatory

Responsibility?

Responsibility of management and governance and **new role (oversight) of the audit committee**

Enforcement?

Clear responsibilities for **preparation, oversight and enforcement**

Audit?

Mandatory audit of sustainability reports with **limited assurance**

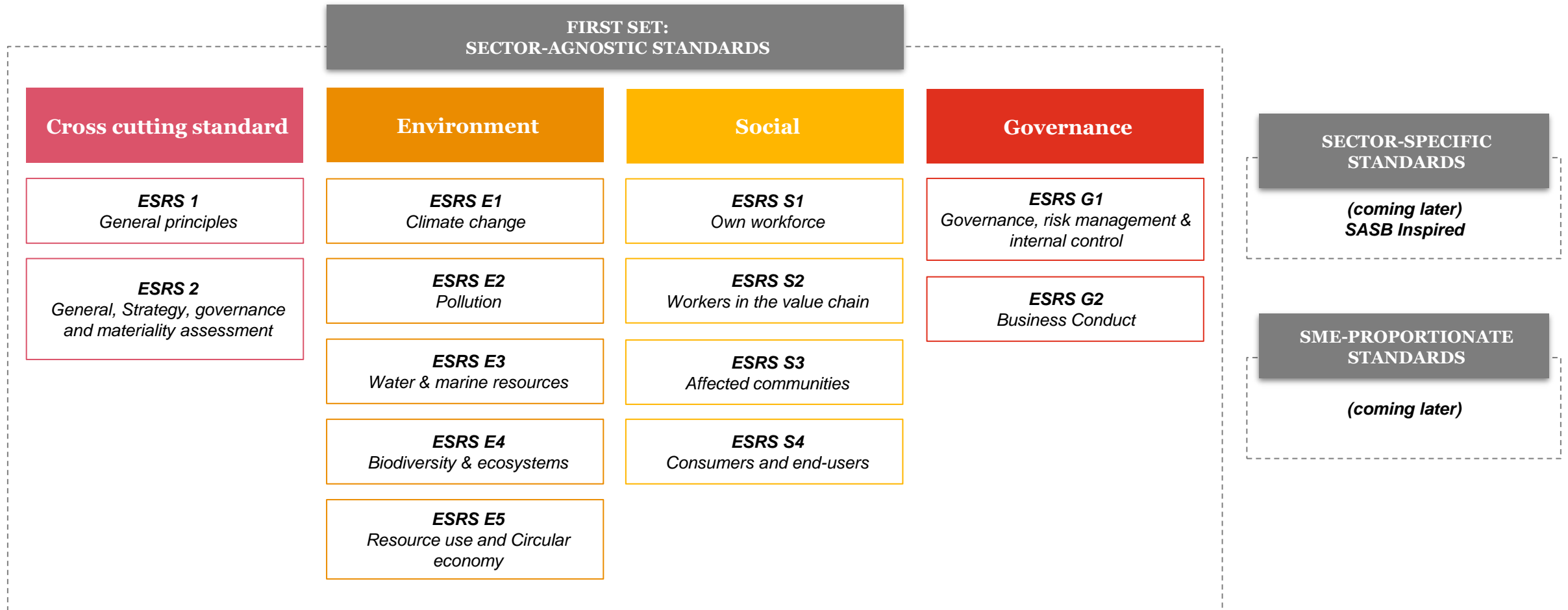
Application intended for reporting periods starting from 1.1.2024

Reporting obligations are determined by the undertaking's classification

FY 2024 (reporting in 2025)	<p>Undertakings already subject to the non-financial reporting directive (NFRD - EU PIE 500+)</p> <p><i>Regnskabsklasse D</i></p>
FY 2025 (reporting in 2026)	<p>Large undertakings/large groups that are not presently subject to the non-financial reporting directive (listed and non-listed) that fulfill two of three criteria:</p> <ul style="list-style-type: none"> - 250+ employees - Revenue of 40+ mio. EUR - Balance sheet assets of 20+ mio. EUR <p><i>Regnskabsklasse Stor C</i></p>
FY 2026 (reporting in 2027)	<p>Listed SMEs*, small and non-complex credit institutions and captive insurance undertakings</p> <p>Listed SMEs: possibility to opt-out for two years</p>
FY 2028 (reporting in 2029)	<p>Non-EU company reporting (Art. 40a-d EU Accounting Directive)</p>

**discussion ongoing reg. first-time application for non-EU issuers*

Architecture of European Sustainability Reporting Standards (ESRS)



Integrated reporting:

“A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation”

What is Integrated Reporting?

Integrated reporting is a new way of thinking in top management, setting up governance structure and communicating targets and performance through reporting. You will have to involve multiple stakeholders and get buy in from the entire organization.

**Integrated
Strategy**



**Integrated
Management**

**Integrated
Reporting**

A large, bold, white number '2' is positioned on the left side of the slide, set against a solid orange background.

Integreret rapportering i Danfoss

Kasper Elbjørn,
Danfoss, VP Head of communications



**The greenest
energy** is the energy
we don't use

Welcome to Danfoss

ENGINEERING
TOMORROW

Danfoss

Danfoss at a glance

Three strong business segments with leasing positions

Danfoss
Power Solutions

1933

Long track record
within innovative
engineering

Danfoss
Climate Solutions

Worldwide sales in
more than
100 countries

Danfoss
Drives

40,043

employees

95

factories

Preferred partner in **helping our customers** decarbonize



Our first products

1933

Cooling

The first product was an expansion valve for refrigeration systems



1943

Heating

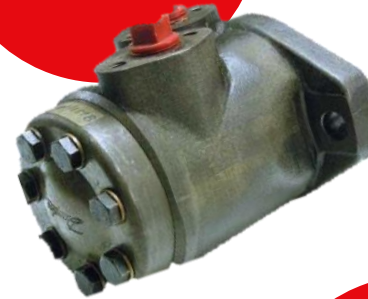
Danfoss invented the world's first radiator thermostat



1961

Power Solutions

Entered hydraulic business with an orbit motor for agriculture and construction machines



1968

Drives

First company to mass produce drives for variable speed control of ac motors



A man and a young child are playing with a colorful pinwheel in a field at sunset. The man is wearing a plaid shirt and glasses, and the child is wearing a plaid shirt. The pinwheel has four blades in red, yellow, blue, and white. The background is a soft, hazy landscape with a warm sunset glow.

Our **Purpose**

We engineer tomorrow to build a **better future**

**Decarbonizing
with our
customers**

**Long-term
value
creation**

Our world

Danfoss Power Solutions



Construction



Industry

Danfoss Climate Solutions



Residential Heating

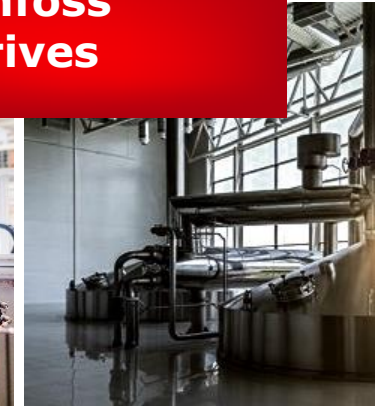


Cooling

Danfoss Drives



Industry



Brewery



On-Highway



Agriculture



District Heating



Air Conditioning



Automotive



HVAC

Three **business segments** geared for growth



Danfoss Power Solutions

#2 market position

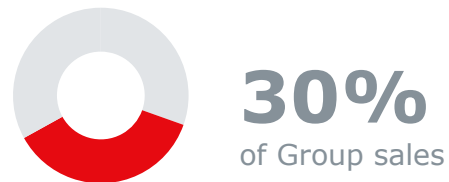
- 19,061 employees
- 53 factories in 19 countries
- 3.2bn EUR annual sales



Danfoss Climate Solutions

#2 market position

- 11,235 employees
- 34 factories in 15 countries
- 2.9bn EUR annual sales



Danfoss Drives

#2 market position

- 4,582 employees
- 9 factories in 7 countries
- 1.4bn EUR annual sales



Why is **sustainability** and **ESG** important to us?



**Differentiate
through our
customer value
proposition**



**Attract and
retain talent for
the next
generation**



**Honor Danfoss'
core values**



**Future-proof
our business for
the long-term**





We have **clear targets, ownership, and roadmaps for ESG**

3 key areas we want to step-change:



Decarbonization

We pioneer solutions for customers to enable decarbonization in an intelligent, cost-optimal manner and ensure carbon neutrality in our own operations.



Circularity

We innovate best-in-class circular products as the default when developing, producing, sourcing, and selling to deliver new value propositions.



Diversity & Inclusion

We offer a leading employee experience that attracts and retains diverse top talent and fosters an inclusive culture.

2021 - A transformational, record year

Group financial highlights

Net sales, EURbn

7.5



Growth

+29%



EBITA margin

12.8%



NIBD to EBITDA ratio

2.1



EBITA EURm

969



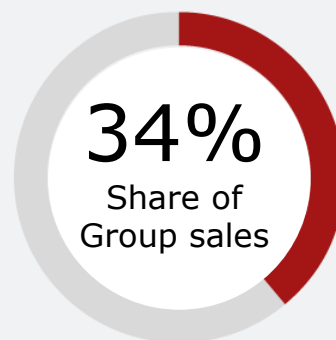
Net profit EURm

631

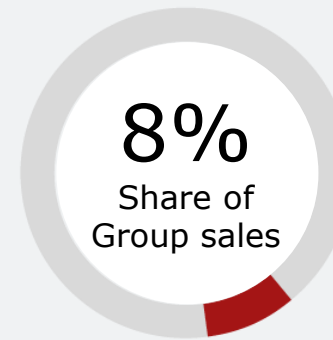


Regions

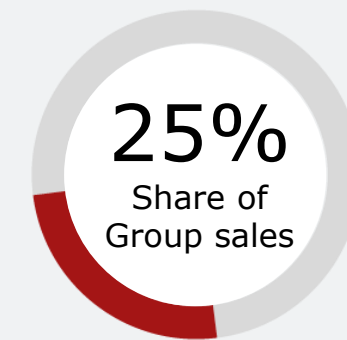
Western Europe



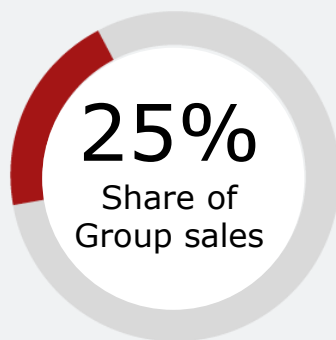
Eastern Europe



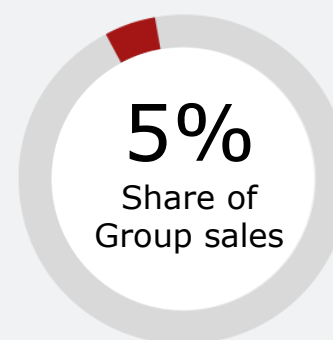
North America



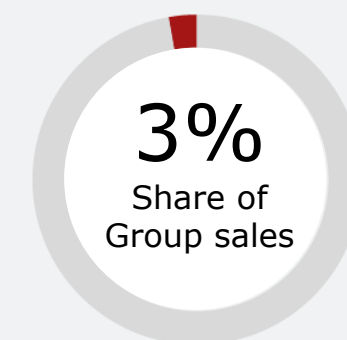
Asia-Pacific



Latin America



Africa-Middle East



2021 – Integrated Reporting?

- Today, the financial performance of companies corresponds to how well they contend with environmental, social, governance (ESG), and other non-financial matters
- Issues are increasingly overlapping: The G(overnance issue) is already split between the Annual Report and the Sustainability Report
- TCFD (Task Force on Climate-related Financial Disclosures) report recommends that preparers of climate-related financial disclosures provide such disclosures in their mainstream (i.e., public) annual financial filings

Advantages:

- Highlights that Danfoss is at the forefront of ESG reporting.
- Our business and solutions are already sustainable and ESG reporting should be considered as important as financial reporting.
- Highlight that our new ESG strategy is a strategic priority.

Challenges:

- Management decision should happen well in advance of process start (before the summer holiday), considering process and resources
- little practical guidance to implement integrated reporting. First-mover advantage will come late
- We need practical advice and steps to follow.



The **greenest**
energy is the
energy we don't use

Annual Report **2021**

ENGINEERING
TOMORROW

Danfoss



ENGINEERING
TOMORROW

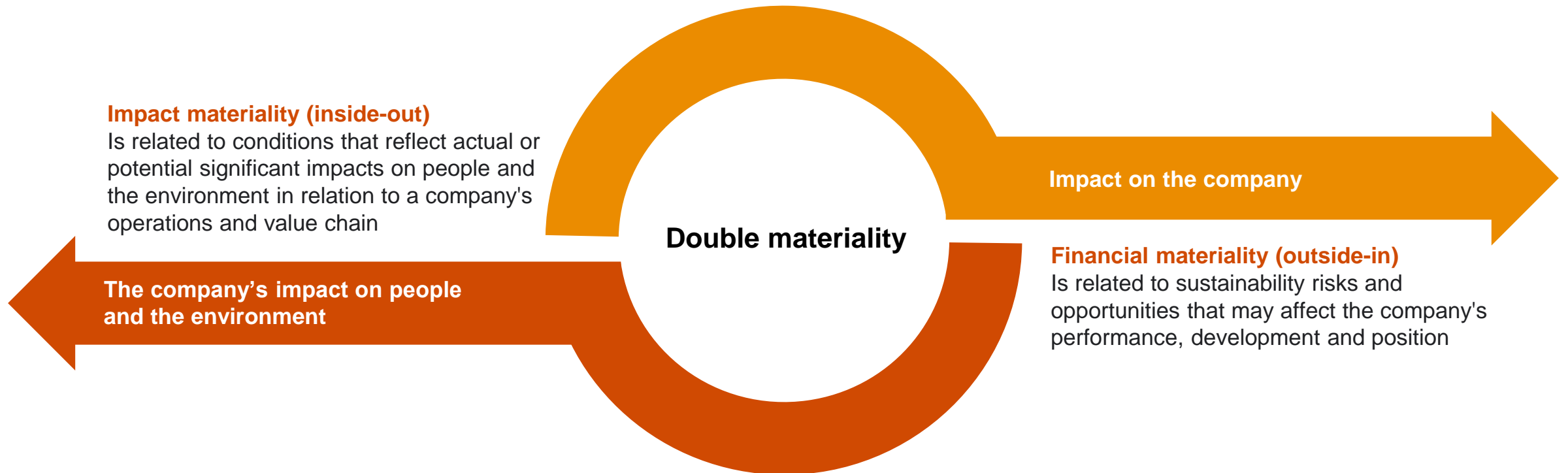


Tips til CSRD samt Q&A /

Erik Johnson
PwC Director Sustainability Advisory
and Assurance services PwC

Concept of double materiality

Double materiality is a key concept in the CSRD and the ESRS. It entails that companies consider how sustainability issues create risks and opportunities that are economically *significant*, as well as how the company has *significant* impact on people and the environment.

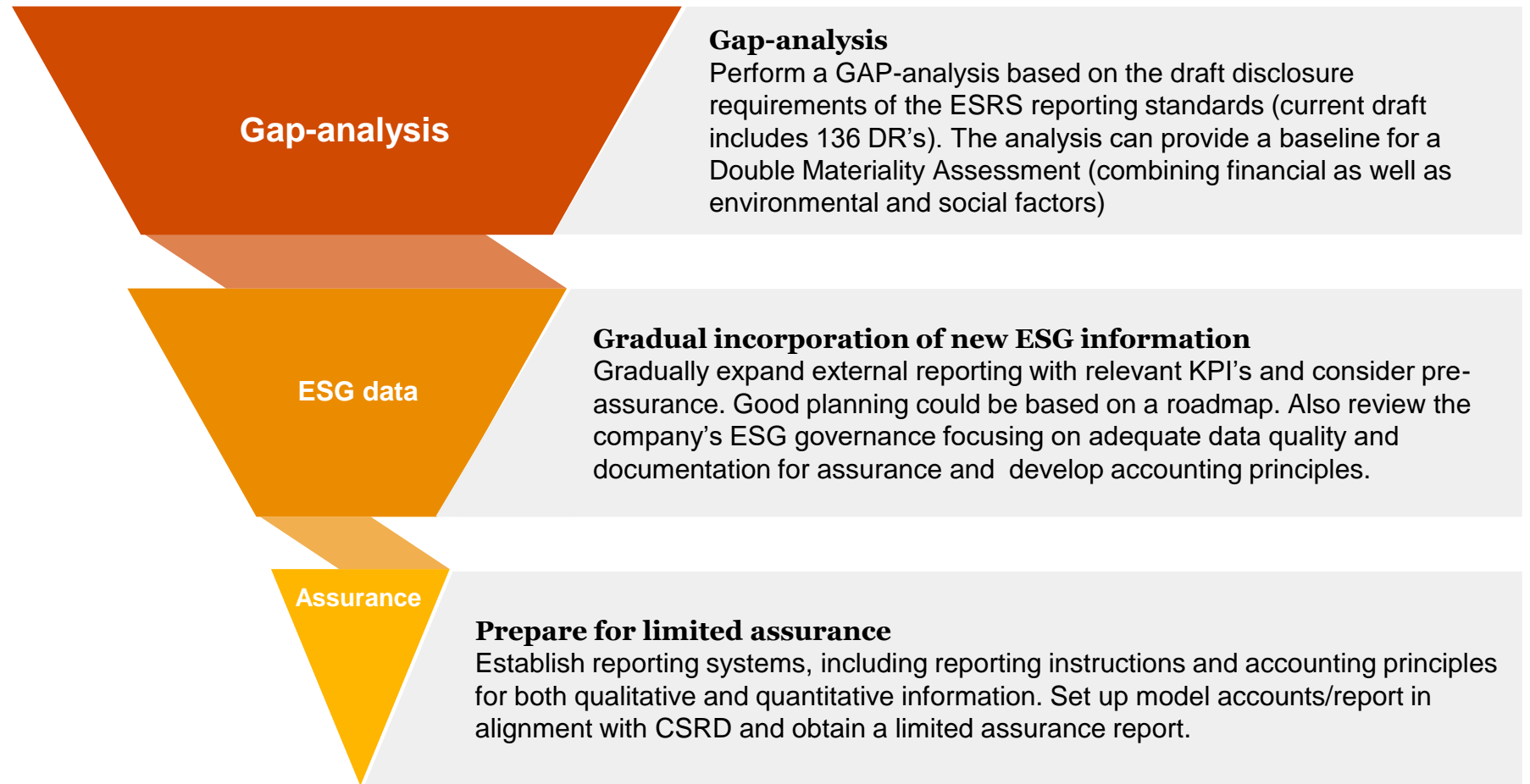


CSRD: recommended actions to prepare for implementation

Preparing for the new regulation will be challenging. Good planning is recommended no matter when you need to report

Companies could also consider an assurance readiness process as part of the reporting approach.

NB: Initial requirements are limited assurance. CSRD includes regulatory ambitions to introduce reasonable assurance requirement from 2028.



Q&A



4

Afrunding



Webinarrække: Bæredygtighed i 2022

Kom på forkant med fremtidens krav og muligheder inden for bæredygtighed. Tilmeld dig et eller flere webinarer.

EU's taksonomi: Hvordan får du rapporteret, så det også skaber værdi?

Fredag den 11. november 2022

Kl. 9.00-10.00

Corporate Sustainability Due Diligence Directive - klar, parat, start

Onsdag den 7. december 2022

Kl. 9.00-10.00

Thank you!



Susanne Stormer

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