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Danfoss Ethics Handbook

Ethical guidelines for Danfoss managers and employees



We are all **ambassadors** for Danfoss

Taking care of the world we operate in has been a part of Danfoss core values since the company was founded. This approach has been instrumental in Danfoss' ability to build leading positions across multiple industries.

To maintain and develop our strong position and good reputation on the global market, it is key that we conduct our business and create financial results in an ethical manner. Sustainability and ethical behavior are integral parts of our DNA and our license to operate, and are a precondition for the long-term success of our business. It is important for our people, our planet and our financial performance.

The Danfoss name must always be associated with respect for human rights, proper working conditions, and social and environmental consciousness, and our decisions and actions must show that Danfoss is continuously working to improve our production, products and services for the benefit of our customers, other stakeholders and future generations.

Our people are the foundation of Danfoss, and we want to be recognized as a great employer; a purposeful company to work for. Every single day, our employees experience situations where they need to make decisions that are significant to our reputation and business. This means that we are noticed, both when we are successful, and if we make mistakes.

Irrespective of where you work in the Group, you are an ambassador for Danfoss. We expect you to behave professionally and with respect for other people and cultures. If you are a manager, you must act as a role model for your employees and help them in being loyal to the values and policies of Danfoss.

This Ethics Handbook describes Danfoss' ethical guidelines and supports you in living up to our values and policies.

Thank you for your continued support!

Sincerely

Kim Fausing
President & CEO



Our Values

We build our business on trust and integrity

Danfoss is known as a company you can trust and rely on, and which conducts business in a decent and ethical manner.

We are innovative in our ambition to exceed expectations

Danfoss must be a trendsetter when it comes to all business matters, including compliance.

We are global and embrace diversity

Danfoss is a global organization that values a diverse workforce in terms of age, nationality, gender, various backgrounds, and individual characteristics.

Moreover, we strive to provide an inclusive working environment where all our employees are given the same opportunities and are equally included in decision-making processes.

We treasure sustainable results

Danfoss delivers sustainable results and at the same time provides a healthy and safe working environment and an attractive workplace for our employees.

We produce our products under proper social and environmental conditions, and we engage in dialogue with our stakeholders in order to understand their expectations. Danfoss believes in a balance of financial, environmental and social results.

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Introduction

The Ethics Handbook outlines Danfoss' ethical guidelines in three sections:

Danfoss and our employees

Danfoss and our external partners

Danfoss and society

The handbook is a reference book, and the table of contents provides a quick overview of the subjects discussed. The guidelines apply to all employees and companies in the Danfoss Group, i.e. Danfoss A/S and each of its subsidiaries, in which Danfoss A/S or a subsidiary, has a majority of shares or a right to appoint the majority of its directors.

Who should comply with the ethical guidelines? Everyone who works for Danfoss must follow our ethical guidelines. This applies equally to employees, managers, consultants, trainees and students. In addition, if you are a manager, you are responsible for ensuring that your employees know and understand the guidelines and Danfoss' expectations concerning correct behavior.

What happens if I violate the ethical guidelines? You must never take part in anything which may harm or discredit Danfoss' name or reputation. You are responsible for your actions and Danfoss can terminate your employment contract if you choose to ignore our ethical guidelines.

How to report violations of the guidelines

You must take immediate action if you become aware of circumstances that conflict with our ethical guidelines or that could harm or discredit Danfoss in any way. You should contact your manager or the [Ethics Hotline](#) via the intranet. See the fact box: How to use the [Ethics Hotline](#) in case of violations.

Local laws vs the ethical guidelines

All companies, business units, departments and employees within Danfoss must, as a minimum, comply with the local laws of the countries in which they are operating. In situations where Danfoss' ethical guidelines are stricter than the local legislation, the guidelines of the Ethics Handbook must be complied with. If you witness a discrepancy between local legislation and our ethical guidelines, you must contact [AskEthics](#).

Asking for advice and guidance is better than jeopardizing Danfoss' reputation!

Contact your manager or [AskEthics](#) if you have any questions.



Human rights are also companies' responsibility

Danfoss has a global presence and also operates in areas where human rights are sometimes challenged. It remains the duty of each government to protect its population against human rights violations, but it is companies' responsibility to respect human rights and to use their influence to secure dignity for all.

Apart from being based on Danfoss Values, the guidelines in the Ethics Handbook are based on the principles in a number of international conventions and guidelines supporting sustainable development. These are e.g. the UN Global Compact and the ILO's core conventions on labor rights. ILO, the International Labor Organization, lays down agreements between three parties: the employer, the employees and the government. This tri-partite organization provides the ILO core conventions with a strong mandate.

It is companies' responsibility to respect human rights and to use their influence to secure dignity for all.

The Ethics Handbook, the UN Global Compact, the UN Guiding Principles and the SDGs.

Danfoss has joined the UN Global Compact initiative, which consists of ten principles for responsible business practice. The UN Global Compact principles make up the basic framework for our work with human rights, labor rights, the environment and anti-corruption and the principles are incorporated in Danfoss' Code of Conduct for Suppliers, which describes the requirements for our suppliers.

Danfoss supports the UN Guiding Principles for Business and Human Rights. Areas in which Danfoss can impact salient rights, have been identified through our human rights due diligence process, and these areas are covered in the Ethics Handbook. Danfoss' salient human rights can be found [here](#).

To address human rights complaints early and directly, companies should provide access to effective grievance mechanisms for people and communities, who may be impacted negatively by company operations. Danfoss uses its [Ethics Hotline](#) as the grievance mechanism for human rights issues. Danfoss supports and contributes to the UN Sustainable Development Goals (SDGs) both globally and locally. Many of our products contribute to achieving the SDGs, and four of the seventeen goals (SDG 6, 7, 11 and 12) are at the center of our efforts.

How to use the Ethics Hotline in case of violations

- You can visit the internet site (<http://ethics.danfoss.com>).
- Your report will always be treated confidentially.
- You can choose to be anonymous.
- Concerns raised in good faith will never result in retaliation.
- Irrespective of the report raised, all cases will be treated with professionalism.
- The Ethics Committee, which is responsible for dealing with ethical cases, will always follow up on reports.

Relevant internal documents

Overall policy

[500B1212](#) Policies on Danfoss Business Conduct

Ethics and Compliance

[500B1294](#) Danfoss Data Privacy Handbook

[500B1271](#) Export control

[500B1251](#) Danfoss Competition Compliance Manual

[500B1207](#) Danfoss Anti-Corruption Manual

[500B1199](#) Roles and responsibilities when handling ethical cases

[500B1125](#) Reporting unethical behavior

[500B1478](#) Conflicts of Interest Manual

Environment

[500B1258](#) Environment, Health and Safety in Danfoss

Communication

[500B1291](#) Danfoss Communications Manual

[500B1175](#) Professional use of social media

[500B1147](#) Personal use of social media

IT

[500B1301](#) Information classification

[500B0883](#) Danfoss IT Code of Conduct

[500B0829](#) Handling of emails

HR

[500B1180](#) Global recruitment

Tax

[Danfoss Tax Policy](#)

Supply chain management

[Danfoss Code of Conduct for Suppliers](#)

[500B1135](#) Code of Conduct working rules

Relevant external sources and documents

- [Universal declaration of Human Rights](#)
- [United Nations Global Compact](#)
- [United Nations Guiding Principles on Business and Human Rights](#)
- [ILO Core Conventions](#)



Danfoss and our employees

The actions of Danfoss' many employees define the company, both internally and externally. The following section describes the ethical guidelines in terms of what Danfoss expects from you as an employee, but also what you can expect from Danfoss.

As a Danfoss employee, you are expected to act with integrity and to be respectful to others, no matter whether it is a colleague, a manager or a business partner. At Danfoss, we welcome employees of many different cultures, beliefs and backgrounds because we believe that innovation and great results are driven by a diverse workforce that reflects the global environment in which we operate.

The way we interact

Danfoss respects our employees' right to express themselves freely and encourages an open dialogue and constructive feedback between managers and employees.

The following applies to all employees:

- You must treat your colleagues honestly and fairly.
- You should not hesitate to propose new ideas for solutions to work-related problems.

Health, safety and well-being

"Safety First" is a fundamental operating principle at Danfoss. We provide a safe and healthy working environment where employees can work without being injured or becoming ill and we take all practicable steps to prevent incidents and injuries. Our risk-based health and safety program includes policies, relevant instructions and training.

The term "working environment" refers to all physical, chemical and psychological conditions in the workplace that affect employees' health and well-being.



Danfoss respects our employees' right to express themselves freely and encourages an open dialogue and constructive feedback between managers and employees.

The following applies to all employees:

- You must not expose yourself or others to unnecessary physical or psychological strain.
- You must speak up and report incidents, injuries and potential hazards, and participate in the prevention of their recurrence.
- You must keep yourself updated with the rules in your workplace; follow the instructions given to you and use the personal protective equipment required.
- You are jointly responsible for maintaining a positive and safe working environment.

The following also applies to managers:

- You must identify, assess and mitigate health and safety risks, minimize their impact, and ensure that necessary control measures are in place.
- You must ensure that your employees receive training and comply with all requirements related to working environment and safety. Training will be repeated for new and reassigned personnel, when incidents have occurred, and when changes in technology or machinery present new risks to the health or safety of personnel.
- You must ensure that your employees are protected from health and safety hazards; that all machinery is safe and properly maintained, and that relevant personal protective equipment is provided, free of charge, to all employees.
- You must act on matters, which create a negative psychological working atmosphere.

Discrimination

Danfoss respects cultural differences and wishes to treat each employee with dignity. We do not tolerate discrimination or harassment in the workplace, and we want to ensure that employees are not subjected to unfair discrimination.

It is important for Danfoss' development that all employees have opportunities to develop their potential. Discrimination and harassment in the workplace eliminate this opportunity.

We want to ensure that employees are not subjected to unfair discrimination.

The following applies to all employees:

- You must not take part in bullying, discrimination or harassment due to gender, age, nationality, ethnicity, caste, religion, sexual orientation, disability or political opinion etc. Also, you are not allowed to talk or act in a way that creates a hostile working environment for others.
- You must intervene or contact your manager or HR, if you or others are harassed or discriminated against.

The following also applies to managers:

- You must ensure that your employees are treated equally and are evaluated according to qualifications and performance.
- You must not discriminate against any employee e.g. on the basis of gender, age, nationality, ethnicity, caste, religion, sexual orientation, political opinion, or non-disqualifying physical or mental disability etc. This applies to all employment decisions and terms and conditions of employment.

Sexual harassment

Danfoss wants a safe working environment and we do not tolerate sexual harassment.

Sexual harassment is unwelcome acts of a sexual nature, which makes a person feel offended, humiliated and/or intimidated. Sexual harassment could come in many forms. It includes situations where a person is asked to engage in sexual activity as a condition of that person's employment, as well as situations that create an environment which is hostile, intimidating or humiliating for the recipient.¹⁾

The following applies to all employees:

- If you suspect that someone doesn't realize their behavior is sexual harassment, let them know and ask them to stop.
- If you experience sexual harassment, please report it to your manager or the [Ethics Hotline](#).

The following applies to managers:

- If you witness sexual harassment or somebody reports an incident of sexual harassment to you, you should contact HR or the [Ethics Hotline](#).

Remember:

A "NO" must be respected.



1) The description of sexual harassment is extracted from ILO sample sexual harassment policy

Right to privacy, including data privacy

Danfoss respects the right to privacy; whether it is privacy of our current or potential new employees, our business partners, or the people using our products. We ensure compliance with rules regarding protection of personal data in an ethical and transparent manner. Keeping in mind that people are the center of all data processing, Danfoss generally refrains from performance monitoring of employees and conducts monitoring only in a restricted way as well as in accordance with current legislation.

The following applies to all employees:

- You must respect your colleagues' right to privacy, especially information about their health, sexual orientation, or political views.
- You must pay attention when sharing personal data with others, especially external parties, and only do so if there is a substantial justification (business purpose, legal basis and accuracy of data) for doing so.

The following applies to managers and HR staff:

- You must only register employees' personal information if it is work-related.
- You must only treat and store personal information in a secure manner and in line with statutory provisions. You should ensure that all employees have the right to read their own personal data.

For further guidance, please check '[Danfoss Data Privacy Handbook](#)'.



We ensure compliance with rules regarding protection of personal data in an ethical and transparent manner.

Recruitment

Danfoss wants to recruit people in an ethical way, no matter whether we are hiring people directly or if it is done via third parties. In recruitment, there can be several ethical challenges, e.g. discrimination, lack of respect for data privacy or applicants' exposure to forced labor through hiring fees. Danfoss does not accept such practices.

The following applies to hiring managers and HR staff:

- You must ensure that Danfoss only orders health tests, which are necessary or which the employees have specifically requested, and you must not use health tests for discriminatory purposes.
- You must not inquire about any applicant's health, unless it is relevant for the work performance or safety, or necessary to comply with relevant legislation. Also, you must not inquire about the applicant's private life, political affiliation, sexual orientation and religion, or intimate questions regarding family circumstances, including pregnancy. Neither must such information be passed on from/to third parties or used for discriminatory purposes.
- Applicants must not be charged any kind of recruitment fees, neither directly or indirectly.
- If you hire personnel through recruitment consultants, you must inform them about the above-mentioned guidelines and the guidelines in the sections "Employment conditions" and "Forced labor".

Employment conditions (contracts, working hours, wages)

Danfoss respects our employees' right to a healthy balance between working hours and leisure time and we avoid systematic use of excessive hours of work. We pay a fair living wage that corresponds to the type of work, working hours, qualifications and applicable local laws or collective agreements.

The following applies to managers and HR staff:

Contracts:

- You must ensure that each employee has an employment contract or is covered by written terms specifying conditions for employment and termination, so it is clearly evident that the employee is employed voluntarily.
- You must ensure that all new employment contracts or other written terms of employment require the employee to comply with Danfoss' ethical guidelines.



Working hours:

- You must ensure that the weekly working hours for employees working in production/hourly paid employees is a maximum of 48 hours. Overtime may be necessary, e.g. in peak seasons, but must not exceed 12 hours per week (i.e. maximum 60 hours) on average in a period of four consecutive months. Any deviating arrangements concerning working hours and overtime must be agreed with the employees. You must always comply with stricter rules outlined in local laws or collective agreements, if applicable.
- You must ensure that employees are allowed no less than 24 consecutive hours of rest in every seven-day period.

Wages:

- You must ensure that each employee is provided with a living wage, which covers the basic needs for the employee and his/her family.²⁾
- You must ensure that this wage, including payment for overtime, is in accordance with local laws or collective agreements.
- You should avoid using wage deduction as a disciplinary measure, except in certain circumstances; e.g. where an employee grossly neglects important duties (e.g. safety rules) and where other sanctions are insufficient. Each wage deduction must be:
 - In accordance with local laws or collective agreements.
 - Limited so that the net wage is sufficient to satisfy the basic needs of the employee and his/her family and never below the applicable minimum wage.
 - In accordance with local guidelines, communicated in advance. The guidelines must include the grounds and extent of deductions and be approved by the manager's manager and HR.



²⁾ Refer to 'a typical family' at www.wageindicator.org. This tool shows the cost of living in more than 90 countries in the world and is supported by the ILO.

Freedom of association and collective bargaining

Danfoss wants an open and constructive dialogue regarding working conditions. We respect the employees' right to organize and acknowledge their right to collective bargaining.

The following applies to managers:

- In countries where legislation does not permit the employees to freely choose a union, or where the system of unions does not function properly, you must ensure that the employees or their representatives are able to meet with management in another way to discuss working conditions.
- You must ensure that your employees are free to meet and discuss work-related issues.

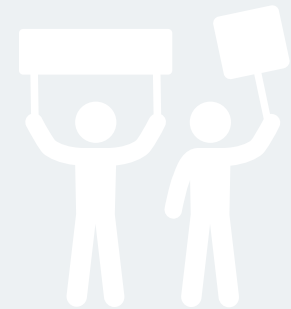
Forced labor

Danfoss does not tolerate forced labor in any form. This includes slavery, human trafficking or any other form of involuntary work. Prison work is considered forced labor under certain conditions, e.g. if it is involuntary.

The following applies to managers and HR staff:

- You must ensure that employees' original personal documents (e.g. passport, birth certificate) are not stored by the company.
- You must ensure that employees are not charged any fees in the recruitment process, either directly or indirectly.
- You must ensure that there is no excessive work without adequate pay.
- You must only use prison labor if the prisoners have voluntarily agreed to the employment, and if wages and working conditions are in accordance with local laws and resemble conditions that apply for the rest of the local workforce. Also, prison workers must be supervised by a public authority or other independent party.

Danfoss wants an open and constructive dialogue regarding working conditions.



Child labor

Danfoss respects children's right to development and education and, therefore, we do not tolerate child labor.

The following applies to managers and HR staff:

- If you employ a juvenile between 15 and 18 years of age, you must ensure they are above the local minimum age for employment, and above the local age for the completion of compulsory education.
- Also, the juvenile must not perform dangerous work and must not work at night.
- In extraordinary situations, you may employ children of 14 years of age, if local circumstances imply that the child will receive the best protection and development by having employment. The work must be easy to perform and safe, and it should enable the child to have access to an education. Employment must take place in close collaboration with the child, the child's closest family, and with recognized organizations that safeguard children's needs. If you are in doubt, please contact [AskEthics](#).

Confidential information

A trusting relationship between Danfoss and its employees requires that confidential information is not disclosed to unauthorized persons. Confidential information is information, which is not normally accessible to third parties, which is critical to Danfoss' business or cannot legally be submitted to third parties without prior approval. This includes e.g. information about Danfoss' strategy, technology, products, prices, employees and business partners.

The following applies to all employees:

- You must not use Danfoss' confidential information for personal purposes.
- You must not disclose Danfoss' confidential information to others outside Danfoss.
- You must not disclose confidential information about business partners to third parties.
- You must ensure that information in your possession (e.g. on your computer, telephone, or in your documents is not accessible to unauthorized persons).
- You must follow the guidelines in Danfoss Group Standard [500B1301](#), 'Information classification'.



Electronic communication tools

Danfoss provides electronic communication tools to employees for work-related purposes. Private use of these tools is permitted in moderation, and only if this does not affect the employee's work.

The following applies to all employees:

- You must only use communication tools for approved purposes, and you must always comply with Danfoss' IT policies.
- You must not use your Danfoss telephone to pay for non-business-related costs.
- You must not use Danfoss' communication tools to run your own company.
- You must not use Danfoss' communication tools for illegal, offensive or intimidating communication, or communication which violates copyright, trademarks or people's right to privacy.
- You must not record conversations without the consent of the person or people you are recording as this would undermine mutual trust. The only exception is if it is necessary to document gross violation of company policies.
- You must not distribute information that contributes to creating a hostile atmosphere or an unproductive workplace.
- You must immediately contact the IT ServiceDesk, if you suspect a breach in IT security (e.g. a virus attack), which could threaten Danfoss' information systems.





Using online media

We encourage people to actively act as ambassadors for Danfoss by engaging and participating in online conversations on digital and social media channels – internally as well as externally.

The following applies to all employees:

- You must only communicate about already public information.
- You must use common sense and courtesy, and make sure you don't violate privacy, confidentiality or our Group Standards.
- You must be loyal to your colleagues and to Danfoss, watch your "tone of voice", and post only meaningful and respectful comments, even in cases where you disagree with others' opinions.

For more information, please refer to Danfoss Group standard [500B1147](#) 'Personal use of social media'.

Alcohol and narcotics

Danfoss wants to be a healthy and safe workplace. If Danfoss suspects that working environment or safety-related conditions are being neglected as a result of alcohol or narcotic use, we have the right to conduct relevant investigations.

The following applies to all employees:

- You must not consume alcohol or be under the influence of alcohol during working hours, unless it is related to celebrations or other similar events that are approved by management.
- You must not possess, consume, be under the influence of or encourage others to take illegal or controlled drugs during working hours. The only exception is drugs properly prescribed and consumed, provided that safety is not jeopardized.

We encourage people to actively act as ambassadors for Danfoss by engaging and participating in online conversations.

Conflicts of interest

Danfoss expects its employees to make Danfoss aware of actual or potential conflicts of interest.

A conflict of interest is a situation where an employee has a personal or private interest (e.g. family relations or side job), which can affect his/her ability to make sound business decisions in the best interest of Danfoss.

The following applies to all employees:

- You must disclose any potential conflicts of interest to your manager.
- You must never misuse your position at Danfoss or use Danfoss' name for personal gain.
- You must use your full resources for Danfoss.
- You must be loyal to Danfoss.
- You must always live up to the rules in the [Danfoss Conflicts of Interest Manual](#)

Written approval from the nearest manager is required in the following situations:

- If you own more than 5% of a company.
- If you could influence, take decisions or are entitled to earnings in another company, have voting rights, approval power, contractual relationships or the like.

- If you are a board member of a company.
- If you invest in a company, and it is part of your job function at Danfoss to do business with this company, or
- If members of your family work for a company that has business relations with Danfoss, and both you and your family member work in functions, which deal with the business relationship between the companies.

If you are in doubt as to whether you are acting correctly, you must discuss the issue with your manager or contact [AskEthics](#).

The following also applies to managers:

- You must ensure 'segregation of duties', i.e. that no individual employee can process all elements of a financial transaction on behalf of Danfoss, without involving others.
- must ensure that spouses or partners are not each other's superior or subordinate.
- You should try to avoid situations in which partners or spouses are employed in the same department because this could cause unnecessary conflicts at the workplace.
- If you enter into a personal relationship with one of your employees, you must inform your immediate manager.
- You must not be the hiring manager of family, friends or others with whom you have a close relationship.

In general, when we have conflicts of interest, there is a risk that Danfoss will lose money

A written approval ensures that your manager is aware of the potential conflict of interest and can make necessary arrangements, e.g. assigning another colleague to the business partner in question.

Theft, embezzlement and fraud

All forms of theft, embezzlement or fraud at the workplace or misuse of the Danfoss name, products, property or information are not tolerated, and may lead to dismissal and legal action.

The following applies to all employees:

- You must not misuse Danfoss' credit cards or cash funds.
- You must not deceive Danfoss in connection with the recording of travel, working hours or holidays.
- You must not add false expenses to your expense account, intentionally increase your expenses, or charge Danfoss for private purchases.
- You must not use Danfoss' letterhead or Danfoss' name or trademark for personal or unauthorized purposes.
- You must not wrongfully take Danfoss property or remove such items from the company premises without having obtained your manager's written approval.
- You must not copy materials that are protected by copyright or require a license (including software).

Politics

Danfoss does not support individual political parties, or the interests of any specific political parties. However, Danfoss' management can approve membership of industrial organizations or organizations, which operate within the framework of the agreements that Danfoss has entered into (e.g. the UN Global Compact).

The following applies to all employees:

- You must not use the Danfoss name or trademark for political activities of any character.
- You must not distribute personal political opinions using the Danfoss letterhead or your Danfoss email address.
- You must not provide money or other forms of support to political parties on behalf of Danfoss.
- You must not use items bearing Danfoss' name or trademark for personal participation in political activities.
- You may be a member of a relevant industrial organization, if your manager has approved the membership.



Danfoss and our external partners

Danfoss conducts business in a decent and ethical manner. Being a responsible company, we actively strive for good business conduct and compliance in our value chain.

Corruption and bribery

Danfoss does not tolerate corruption. Corruption is the misuse of your position to benefit a certain purpose and must be avoided. It comes in many forms: e.g. bribery, kickbacks, facilitation payment, nepotism (favoring relatives or friends) or conflicts of interest.

Bribery is when you give something of value with the aim of achieving undue advantages; i.e. advantages which cannot be obtained honestly and legally. Participation in corruption and bribery can have severe consequences for both Danfoss and the employees involved.

The following applies to all employees:

- You must not engage in any form of corruption or bribery.
- You must refuse to receive any payments which do not correspond to the service that a business partner is obliged to deliver.
- You may not perform business transactions, which include incentives, to obtain personal gains or fraud of any character
- You must comply with the rules of [Danfoss' Anti-Corruption Manual](#).

The following also applies to managers:

- You must ensure that employees, who have contact with business partners and local authorities, know the rules outlined in the [Danfoss Anti-Corruption Manual](#), and that relevant employees participate in the Danfoss anti-corruption training.

Corruption and bribery are unethical and illegal, distort free trade and are an obstacle to eliminating poverty.

For guidance check [Danfoss Anti-Corruption Manual](#).

[The Danfoss Anti-Corruption Manual](#) also applies to distributors, agents and consultants who act on our behalf, as Danfoss may be held liable for any violation of legislation and other unethical behavior by these third parties.

Facilitation payments

Danfoss is against the use of facilitation payments. Facilitation payments are small amounts, which are paid to lower-ranking public officials to expedite the performance of a routine task, where non-payment would result in considerable delay or other inconvenience to the company or its employees. These payments are considered part of a corruption scheme; there is no transparency in these payments; they are not legitimate; and they come with no receipts.

Examples of facilitation payments are extra payments to cross a border, establish a telephone line or to obtain a visa or another kind of approval. Fully legitimate and transparent payments to speed up processes, for example visa application fast-track application procedures, do not fall under the definition of facilitation payments.

The following applies to all employees:

- You must avoid facilitation payments. Only under exceptional circumstances, i.e. when your safety is at risk, may a facilitation payment be permitted.
- You must always live up to the rules in [Danfoss Anti-Corruption Manual](#).

Money laundering and tax affairs

Danfoss does not tolerate money laundering. Money laundering takes place when money acquired through illegal activities, including terrorism, is channeled through legal business activities.

The following applies to all employees:

- You must refuse cash payments or checks issued by an unknown third party.
- You must avoid transactions, which bypass registration or reporting requirements.
- You must avoid making payments in countries where Danfoss has not received a service, unless there is a good reason to do so and we can be open about it.
- You must avoid deviations from norms, such as insufficient, suspicious or false payment information.
- Payments to countries or areas known as tax havens must be based on solid business reasons.
- For further guidance, please check '[Danfoss Export Control Manual](#)'.



Extortion and protection money

Danfoss does not pay criminals for protection against violence towards people or vandalism of property.

The following applies to all employees:

- If you are asked to pay protection money, you must report this to your manager or the [Ethics Hotline](#).

The following also applies to managers:

- You must report all incidents related to protection money to the [Ethics Hotline](#).

Gifts and entertainment

Gifts in business relationships should generally be avoided or limited to the greatest possible extent. However, in many countries, it is normal business practice and a sign of respect to exchange gifts. Custom varies widely between countries and the line between what is considered appropriate and inappropriate can be very fine.

Gifts must never be provided with the purpose of obtaining a competitive advantage. In order to ensure transparency and to protect Danfoss employees from the suspicion of bribery, the value of all gifts must be reported.

Entertainment can be part of the ordinary course of establishing or maintaining business relationships, but the level of entertainment must never be extravagant.

The following applies to all employees:

Gifts:

- You must not give or receive gifts with a value exceeding the equivalent of two hours' salary (your gross salary).
- You must always inform your manager about the gifts you give or receive.
- You must not give or receive gifts in the form of money or cash equivalents.

Entertainment:

- Entertainment must always be of a reasonable size and must not be extravagant.
- You must not inappropriately affect business-related decisions, for example by paying for prostitutes or adult entertainment.
- Gifts and entertainment for public officials are subject to special rules. All gifts and entertainment for public officials must be approved in advance and reported to the local Global Service Manager or General Manager.
- You must always live up to the rules in [Danfoss Anti-Corruption Manual](#).

If you are in doubt,
please contact
your **manager or**
AskEthics.



Donations

Danfoss may support local organizations via donations and sponsorship as long as the local management agrees that they are relevant to Danfoss' interests and they support Our Values. Donations or sponsorship may never confer any undue advantages on Danfoss, meaning advantages which cannot be obtained honestly or legally, or which can be perceived as bribery.

The following applies to all employees:

- You must ensure that the recipient organization has a purpose and a reputation which is in line with Danfoss' values and interests.
- You must ensure that the recipient of a donation or sponsorship is not a current or potential business partner.
- You must ensure that the recipient of a donation or sponsorship is not connected to a public company, or a public official, with whom Danfoss would like to have a business relation.
- You must report agreements about donations and sponsorship to your manager.
- You must live up to the rules in [Danfoss Anti-Corruption Manual](#).

Dealing with suppliers

Danfoss conducts business in a decent and ethical manner. Being a responsible company, we actively strive for good business conduct and compliance in our value chain. Therefore, our suppliers and business partners are expected to conduct their business in line with the same principles. Danfoss' requirements to our suppliers are laid down in our [Code of Conduct for Suppliers](#), that states our expectations on responsible business practices, including environmental standards and labor rights. Suppliers comprise both suppliers of direct materials that are used in our products, but also indirect materials and service providers.

The following applies to all employees:

- If you become aware of a supplier not living up to Danfoss' Code of conduct, you must report it to the [Danfoss Code of Conduct Competence Center](#).

The following applies to managers and employees responsible for supplier relations:

- If you sign a contract with a supplier, you must ensure that [Danfoss' Code of Conduct for Suppliers](#) is also signed.

Being a responsible company, **we actively strive for good business** conduct and compliance in our value chain.

Export control

International laws and regulations set requirements for the export of certain components and technologies that can be used in developing products or applications for the military, or which can be used in other sensitive applications, e.g. surveillance technologies.

Danfoss will not conduct a sale if our services or products are in danger of being misused or could violate international human rights. This applies for both direct sales and indirect sales through e.g. an OEM or distributor.

The following applies to all employees:

- You must react if a sale of products or services is in danger of being misused for military purposes or could be used to breach a civilian's basic human rights. In this case, contact Group Compliance.
- Written end-user statements must be provided if there is reason to believe that our products could be used in ways other than that for which they have been manufactured, e.g. the product might be used for a military purpose or could violate someone's human rights.
- You must comply with the guidelines in [Danfoss Export Control Manual](#).

Fair competition

Competition laws (US: antitrust laws) forbid all forms of written or oral agreements or concerted practices with competitors regarding prices, allocation of markets or customers, misuse of a dominant market position, or other situations where free competition is obstructed or limited. It is crucial for Danfoss that the rules are not violated.

Violations can result in major fines, liability damages and loss of business, as well as lost reputation.

The following applies to all employees:

- You must not enter into any illegal agreement with a competitor, regardless of whether the agreement is written or oral, or whether it is an unspoken agreement.
- You must not misuse Danfoss' dominant position in a market.
- You must not exchange sensitive business information (such as prices, price development, discounts, etc.) with a competitor or a representative of a competitor.
- You must comply with the guidelines in the [Danfoss Competition Compliance Manual](#).



Information about competitors

It is important for Danfoss to have information about competitors' conditions, but the information must always be gathered in an ethical manner and in accordance with the laws and regulations, which protect personal and corporate intellectual rights.

The following applies to all employees:

- You must only gather information about our competitors using lawful sources, and never from other competitors.
- You must not unjustifiably receive, pass on or use confidential information which rightfully belongs to others.

Danfoss makes safe and sustainable products, proactively meeting compliance obligations to customers and regulators.

Product safety and compliance

Danfoss makes safe and sustainable products, proactively meeting compliance obligations to customers and regulators. Product safety and compliance are key elements when it comes to creating trust in Danfoss and our products.

It is therefore vital for Danfoss that our products do not have hazardous properties, which might harm people, property or the environment.

The following applies to all employees:

- You must contribute to ensuring that our products meet the requirements of both Danfoss and our customers, as well as all the relevant laws and standards concerning product safety, labelling, recycling and the content of materials and substances.
- You must immediately contact your manager if you have reason to suspect non-compliance in products or processes, which may cause harm to people, property or the environment.



Danfoss and society

Local engagement

In many countries, Danfoss is a prominent company in the local community and has major significance for the people who work and live there. It is therefore important that we “keep our house in order” and have a good relationship with the local community. We respect the rights of the local inhabitants and the local culture, and we are aware that marginalized and vulnerable groups may exist in some local communities. When acquiring land, it is part of Danfoss’ human rights due diligence process to address land rights.

The following applies to all managers:

- You must ensure that your employees follow local laws and Danfoss’ policies and standards.
- You must have an ongoing dialogue with relevant local stakeholders to ensure that Danfoss knows their needs and expectations.

Communications and transparency

Openness and honesty about Danfoss’ activities are important to us and our stakeholders, i.e. employees, business partners, the press and the communities in which we operate. Therefore, we communicate our financial, social and environmental results in a true and transparent manner, and we present both our successes and our challenges.

The following applies to all employees:

- You must communicate openly and honestly, with respect for the people you communicate to and about.
- You must act as an ambassador and assist in ensuring that Danfoss has a good relationship with the local community.
- You must not make public statements about Danfoss’ overall strategy, financial situation or express company views on religious and political matters unless agreed with Group Communication and the Regional or Segment President.

The following also applies to managers:

- You must ensure that any issues within your area are discussed with employees and that relevant authorities are informed, if needed.
- You must have an ongoing dialogue with the relevant authorities to make sure that Danfoss is aware of new rules and regulations and is able to respond proactively.
- You must ensure that all relevant documents are stored and are accessible to Danfoss and the local authorities.

Openness and honesty about Danfoss’ activities are important to us.

Production

Economic growth based on social and environmentally responsible decisions is the way to create long-term and sustainable results. Therefore, when Danfoss sets up or relocates sales and production activities, we make sure to do so in an environmentally and socially responsible way, with regard to the employees, the local communities and the local population that are affected by the changes.

The following applies to all managers:

- When relocating production areas, you must work to maintain the same standard regarding environmental and health and safety conditions.
- You must strive to retain qualified employees when relocating or restructuring, as well as in times of declining demand for our products.

Economic growth based on social and environmentally responsible decisions is the way to create long-term and sustainable results.



Environmental considerations

Danfoss works systematically to reduce the environmental impact of our operating activities. Because energy efficiency is at the core of Danfoss' business, we enable the world to use less energy through our products while reducing our own CO₂ footprint and making more efficient use of energy in our buildings and factories.

Danfoss continually strives to limit the use of chemicals which may be harmful to humans or to the environment.

The following applies to all employees:

- You must follow the instructions you are given and keep yourself updated with the environmental rules in your workplace.
- You must, in your work at Danfoss, strive to limit your impact on the environment as much as possible and contribute to reducing waste, emissions and the consumption of resources.
- You must speak up and report environmental incidents and potential hazards and participate in the prevention of recurrences.
- You must contribute to saving energy and other resources.

The following also applies to managers:

- You must be a role model in reducing the environmental impact of Danfoss' activities, including energy consumption.
- You must ensure that your employees receive training and comply with all requirements related to the environment. Training will be repeated for new and reassigned personnel, where incidents have occurred, and when changes in technology or machinery present new risks to the environment.
- You must take precautionary measures as soon as there is reason to believe that an action by Danfoss could harm the environment.
- You must strive to develop and support environmentally friendly techniques in our products, processes, designs and material selection.
- You must ensure that Danfoss' activities do not adversely affect the health and prevalence of diversified plant and animal life (bio diversity).

Danfoss works systematically to reduce the environmental impact of our operating activities.

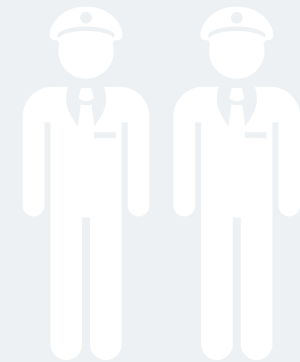
Security guards

To protect Danfoss employees and property, many Danfoss facilities have security guards employed on the premises. The guards monitor the areas, either by patrolling them or by using surveillance cameras. The guards must respect human rights and must not exert unnecessary use of force.

This applies to both internal and external security guards.

The following applies to managers:

- You must ensure that security guards do not detain anybody on an unfounded basis, that they treat everyone equally, that they do not interfere with lawful gatherings, and that they do not use unnecessary force when performing body searches or examining belongings.
- You must ensure that a procedure is in place regarding the security guards' powers and that any violation or incident is reported to local management.
- You must ensure that the security guards are instructed not to use unnecessary force.
- You must ensure that employees are informed about the surveillance cameras, and that the surveillance is used for the stated purpose only and in accordance with local laws.



Who to **contact?**

AskEthics

– questions regarding ethics and anti-corruption

E-mail: AskEthics@danfoss.com

Telephone: +45 7488 7777

Ethics Hotline

– reporting ethical misconduct

<http://ethics.danfoss.com>

IT ServiceDesk

– IT issues

<https://workplace.danfoss.net/1322/contact-it>

E-mail: 1234@danfoss.com

Telephone: +45 7488 1234

Group Risk & Compliance

– anti-corruption, export control, competition compliance, data privacy issues

<https://workplace.danfoss.net/9160/group-risk-compliance>

E-mail: compliance@danfoss.com

Group Risk & Compliance

– ethics and human rights

<https://workplace.danfoss.net/46691>

Code of Conduct Competence Center (Group Procurement)

<https://workplace.danfoss.net/40418/danfoss-code-of-conduct-for-suppliers>

Media Relations

– spokespersons, etc.

Email: mediarelations@danfoss.com

Telephone: + 45 7020 4488

