

## Human rights statement

Effective from 31.12.2023

### I. Introduction

*Danfoss Power Solutions GmbH & Co. OHG* is committed to respecting human rights, respecting the right and protecting the environment. It is the declared goal of the company management to respect, protect and promote human rights and the environment along the entire value chain. Violations of internationally recognized human rights and national and international environmental protection regulations will not be tolerated. In particular, the rights of potentially affected groups are taken into account.

The basis of the human rights and environmental due diligence obligations are the following international regulations and voluntary initiatives, to which *Danfoss Power Solutions GmbH & Co. OHG* adheres to:

- United Nations International Charter of Human Rights
- United Nations Guiding Principles on Business and Human Rights
- International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- International Convention on Economic, Social and Cultural Rights
- OECD Guidelines for Multinational Enterprises
- Core labor standards of the International Labor Organization
- United Nations Convention on the Rights of the Child
- UN Global Compact

The principles on human rights and environmental strategy set out in this declaration apply to the entire business area of *Danfoss Power Solutions GmbH & Co. OHG* and must be adhered to by management and employees when carrying out the tasks assigned to them. They supplement the Code of Conduct of Danfoss including

all other company principles, guidelines and instructions. Local implementation is the responsibility of those responsible at the respective location.

Compliance with human rights and environmental obligations is expected from all business partners. Respecting and safeguarding human rights and environmental obligations is the basic prerequisite for working with *Danfoss Power Solutions GmbH & Co. OHG*.

## **II. About Danfoss - *Danfoss Power Solutions GmbH & Co. OHG***

*Danfoss Power Solutions GmbH & Co. OHG* in Neumunster is an own legal entity and is part of the Danfoss group. Danfoss' history started on September 1, 1933, when Mads Clausen founded Danfoss in his parents' farmhouse in Nordborg, Denmark. Since then, the business has grown from a solo enterprise into one of the largest industrial companies in Denmark and one of the world's leading suppliers of innovative and energy-efficient solutions. Today, the company is still family-owned via the Bitten and Mads Clausen's Foundation and it holds market-leading positions, employs 42,000 people, and serves customers in more than 100 countries.

Danfoss is a leading technology partner for our customers who want to decarbonize through energy efficiency, machine productivity, low emissions, and electrification.

We engineer the advanced technologies that help ensure the supply of fresh food and optimal comfort in homes and offices, while meeting the need for energy-efficient infrastructure, connected systems and integrated renewable energy. The company's solutions are used in areas such as refrigeration, air conditioning, heating, motor control and mobile machinery. Danfoss is part of the metal-machining industry and the electronics industry; many of the products are electrical or electromechanical products.

The Group consists of three business segments: Danfoss Power Solutions, Danfoss Climate Solutions, and Danfoss Power Electronics & Drives. Our customers are mainly original equipment manufacturers (OEMs), distributors and contractors, but also installers and end-users for a few products.

In Neumunster the company manufactures hydraulic pumps and motors that serve in several vehicles across different industries like agriculture.

### **III. The Supply Chain Due Dilligence Act**

The Supply Chain Due Diligence Act (LkSG) aims to ensure human rights and environmental standards along the entire supply chain. For this purpose, it defines a number of protected legal positions, the threat of violation of which is intended to be prevented through extensive due diligence.

According to Section 6 Paragraph 2, every company that falls within the scope of application of the LkSG must adopt a policy statement on human rights strategy. This describes the procedure by which a company fulfills its due diligence obligations in its own business area and throughout the entire supply chain. The human rights and environmental risks that were identified as priorities based on the risk analysis must be identified. Finally, the human rights strategy policy statement defines the human rights and environmental expectations that a company has for its employees and suppliers in the supply chain.

### **IV. Respect for human rights and the environment throughout the supply chain**

The international guidelines for the protection of human rights and the environment are reflected in the German Supply Chain Care Act in Sections 2 Para. 2 and 4 LkSG. Accordingly, *Danfoss Power Solutions GmbH & Co. OHG* undertakes in particular to

- Compliance with the prohibition of slavery, child labor and forced labor;
- Compliance with occupational health and safety regulations and working hours;
- Recognition of the right of all employees to form employee representatives, to strike and to bargain collectively;
- Equal treatment of all employees free of any discrimination;
- Providing a fair wage, at least equal to the minimum wage established by applicable law;
- Compliance with the prohibition to cause harmful soil alteration, water pollution, air pollution, harmful noise emissions or excessive water consumption;
- Compliance with the prohibition of unlawful eviction or deprivation of land, forests and waters;

- Compliance with the ban on the use of private and public security forces if this threatens to violate human rights;
- Compliance with the prohibition of particularly serious impairment of human rights through other conduct;
- Compliance with the ban on the production of mercury-infused products and the use of mercury and mercury compounds in manufacturing processes as well as the unauthorized treatment of mercury waste;
- Compliance with the ban on the production and use of banned chemicals;
- Compliance with the ban on non-environmentally sound handling, collection, storage and disposal of waste as well as the unauthorized export and import of hazardous waste.

*Danfoss Power Solutions GmbH & Co. OHG* takes appropriate and effective measures to identify, verify and prevent the realization of human rights and environmental risks in its own business area and throughout the supply chain. If it is determined that a violation of a human rights or environmental obligation has occurred or is imminent, a targeted remedial process takes effect, within which individual measures are taken to end a violation and minimize its consequences.

All measures taken as part of our human rights and environmental responsibilities follow the principle of “empowerment before withdrawal”: We are committed to supporting our business partners in preventing and ending violations of human rights or environmental regulations before entering into business relationships give up or switch to alternative sources of supply.

## **1. Effective Human Rights Risk Management**

The LkSG-risk management is based on due diligence obligations, which are implemented on group level and coordinated as well as monitored centrally by the Head of Ethics and Human Rights at Danfoss. *Danfoss Power Solutions GmbH & Co. OHG* follows the groups’s human rights due diligence approach. The integration of due diligence obligations into all relevant business processes ensures that risks are identified and preventive and remedial measures are implemented in a targeted manner.

**a) Measures for effective human rights risk management**

The human rights risk management sets up processes to implement due diligence obligations and defines areas of responsibility, responsibilities and reporting lines.

The due diligence obligations in the *Danfoss Power Solutions GmbH & Co. OHG* are anchored interdisciplinary including relevant functions – e.g. quality management, purchasing, legal. The implementation of the due diligence obligations is operationally controlled by the manager environmental, health & safety. In accordance with Section 3 Paragraph 1 No. 2 LkSG, it is responsible for risk reduction measures and checks the effectiveness of the internal control. All related activities, processes and responsibilities are defined internally in the integrated management system in order to get accessed by all departments and colleagues.

The vertical anchoring of the due diligence obligations is achieved by defining supervisory and coordination responsibilities at local management level and the respective Group Function.

The local General Management of *Danfoss Power Solutions GmbH & Co. OHG* is overall responsible for the implementation of human rights and environmental due diligence obligations according to Danfoss Group directions. The Danfoss Head of Ethics and Human Rights oversees the implementation of due diligence obligations and provides advice to the local General Management.

The *Danfoss Power Solutions GmbH & Co. OHG* has appointed the Group Head of Ethics and Human Rights as Human Rights Officer within the meaning of Section 4 Paragraph 3 LkSG -who monitors the human rights risk management for the *Danfoss Power Solutions GmbH & Co. OHG* and the underlying supply chain and carries out regular effectiveness reviews. Together with relevant stakeholders in the *Danfoss Power Solutions GmbH & Co. OHG* the Human Rights Officer works on the constant development of the catalog of measures to ensure compliance with due diligence obligations. The Human Rights Officer provides regular reports regularly to the local general management.

**b) Identify, weight and prioritize risks**

*Danfoss Power Solutions GmbH & Co. OHG* carries out comprehensive risk analyzes with regard to compliance with human rights and environmental obligations within its own business area and with its direct suppliers. We rely on both internal and external expertise. The complexity and scale of our international supply chain requires the use of external intelligence that help us identify, verify, weight and prioritize risks.

Our risk analysis set-up enables to determine individual risks of each business partner. Based on the general supplier information - in particular country of origin and industry - an abstract risk analysis is carried out based on a large number of recognized indices and studies by external experts. Based on suppliers' self-assessments, available certifications and our own findings from controls or business processes, we then check business partners for specific human rights or environmental risks. Not only the country of origin and the industry of the business partner are taken into account. We also analyze product risks, trade level risks, the complexity of upstream supply chains and a variety of other data in order to limit, localize and identify risks at an early stage.

We weight and prioritize risks by relating the typically expected severity of a possible legal violation and its irreversibility to the probability of occurrence. We also take into account our own possible causal contributions as well as the degree of our influence in order to prioritize risks and take targeted action where there is a risk of risks being realized. Using a risk matrix, we identify our need for action and initiate preventive and remedial measures where they are necessary.

So far (January 2024) no systematic environmental and human rights related risks within the own business area or supply chain have been identified. Therefore, no risk prioritization has taken place.

#### **c) Take preventive action**

The due diligence is accompanied by appropriate and effective prevention measures.

Danfoss has implemented an internal company code which is documented in the Danfoss Ethics Handbook. It clearly and comprehensibly summarizes the expectations and rights of employees. Danfoss offers extensive training and educational opportunities that employees can take advantage of. The employees involved in human rights and environmental due diligence regularly take part in further training measures in order to be able to follow and cascade international requirements for human rights and environmental protection throughout the entire supply chain. Danfoss Group and respective Procurement organizations offer our business partners training and further education opportunities so that they too are empowered to promote human rights and environmental protection in their business area.

We carry out regular and ad hoc checks in our own organization in order to identify and minimize risks at an early stage. We monitor business partners within the scope of the legal possibilities and requirements. Direct suppliers are subject to careful review, particularly before new business relationships are established.

We require business partners to pass on our human rights and environmental expectations in the supply chain and to continually monitor their compliance. To this end, our Supplier Code of Conduct forms the basis for entering into a new business relationship.

During the supplier qualification process. Direct suppliers in high-risk countries are subject to Danfoss audits and self-assessment questionnaires prior to third-party audits. This is a precondition for being approved as a new supplier for Danfoss and has been an important lever in responsible sourcing since Danfoss became a member of the UN Global Compact.

The main scope of our responsible supplier management are Tier 1 suppliers, but if there is a suspicion of malpractice by Tier 2 suppliers, these are included in third-party audits.

**d) Provide remedial action**

Effective remedial action must be taken when a violation of a human rights or environmental obligation occurs or is imminent.

*Danfoss Power Solutions GmbH & Co. OHG* initiates corrective action immediately upon identification of a relevant violation. In such cases, we develop tailor-made remedial measures in order to end violations in a targeted manner. At the same time, we have developed a series of framework measures that can be activated immediately in the spirit of a modular principle and filled with concrete content to respond to violations.

For each remedial action, we define a process, success goals and clear internal responsibility. Each remedial action contains a specific timetable and can be provided with interim goals.

**e) Grievance mechanism**

An important role in identifying risks and violations in the supply chain is played by a functioning complaints procedure that is accessible to everyone affected in the supply chain - from employees to suppliers to third parties who are affected by our or our suppliers' activities. It is important that information can be submitted anonymously and confidentially. Our tool-based whistleblower system takes into account the complexity of our supply chain. Any access threshold is set low to make submitting tips as easy as possible.

Information is handled confidentially and quickly. The employees involved in processing reports are not subject to any instructions in the context of complaint management; their neutrality is guaranteed. Every complaint triggers an assessment and action process, which targets the conclusion of the reported violation or the minimization of an identified risk.

Reports and complaints submitted are also taken into account as part of the risk analysis.

More information about the grievance mechanism can be found in the respective process description at [danfoss.com](https://danfoss.com) and under <https://danfoss.whistleblownetwork.net/frontpage>.

#### **f) Documentation and reporting**

The implementation of all due diligence obligations is continuously documented. We use a central platform to link all the information we have access to about identified risks and preventive and remedial measures taken.

We are also committed to transparent communication about the human rights and environmental challenges that *Danfoss Power Solutions GmbH & Co. OHG* is exposed to. Through our public reporting, we communicate identified risks, measures taken and progress achieved at least annually.

### **V. Cooperations**

Danfoss is an active member of the Nordic Business Network for Human Rights through which companies get insights into the ongoing development of the human rights agenda. Here, companies share their experiences and are challenged on policies, processes, and methods for embedding human rights considerations in business. The network is chaired by the Danish Institute of Human Rights.

### **VI. Outlook**

*Danfoss Power Solutions GmbH & Co. OHG* is committed to continually reviewing, developing and improving its own measures. The effectiveness and effectiveness of all human rights and environmental due diligence must always be guaranteed. Effectiveness reviews take place as needed and at least annually.



This statement to the human rights strategy is submitted by the local managing director of *Danfoss Power Solutions GmbH & Co. OHG*.

Dirk Mettjes