

Policy Statement for Compliance with Human Rights and environment-related Obligations

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I. Introduction

Semikron Danfoss International GmbH and its sister company Semikron Danfoss GmbH (hereinafter both companies are referred to collectively as Semikron Danfoss) are committed to upholding human rights, respecting the rights of employees, and protecting the environment. The company's management is dedicated to respecting, protecting, and promoting human rights and the environment-related obligations throughout the entire value chain. Violations of internationally recognized human rights and national and international environment-related obligations are not tolerated. Particular attention is given to the rights of potentially affected groups.

The basis for the human rights and environmental due diligence obligations are the following international regulatory frameworks and voluntary initiatives to which Semikron Danfoss adheres:

- International Bill of Human Rights by the United Nations
- United Nations Guiding Principles on Business and Human Rights
- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- International Covenant on Economic, Social and Cultural Rights
- OECD Guidelines for Multinational Enterprises
- Core Labour Standards of the International Labour Organization
- United Nations Convention on the Rights of the Child
- 10 Principles of the UN Global Compact

The principles set forth in this declaration regarding human rights and environmental strategy apply throughout the Semikron Danfoss business sector and must be adhered to by management and employees in the execution of their assigned tasks. They complement the Danfoss Group Ethics Handbook, including all other company principles, policies, and instructions. The local implementation of human rights and environmental due diligence obligations is the responsibility of the respective site.

Compliance with human rights and environmental obligations is expected from all business partners. Respecting and upholding these obligations is a fundamental requirement for collaboration with Semikron Danfoss.

II. Semikron Danfoss

Semikron Danfoss is a company that was formed from the merger of SEMİKRON International GmbH (now Semikron Danfoss International GmbH) and Danfoss Silicon Power GmbH (now Semikron Danfoss GmbH) in 2022. The two companies are sister companies with a common parent company, Semikron Danfoss Holding AS in Denmark, which is primarily part of the Danish Danfoss Group.

The history of Danfoss began on September 1, 1933, when Mads Clausen founded Danfoss in his parents' farmhouse in Nordborg, Denmark. Since then, the company has evolved from a sole proprietorship into one of Denmark's largest industrial enterprises and a leading global provider of innovative and energy-efficient solutions. Today, the company remains family-owned through the Bitten and Mads Clausen Foundation, holds market-leading positions, employs 42,000 people, and serves customers in more than 100 countries.

The Danfoss Group consists of three business segments: Danfoss Power Solutions, Danfoss Climate Solutions, and Danfoss Power Electronics & Drives. Semikron Danfoss is organizationally integrated into the Danfoss Power Electronics & Drives segment.

In an increasingly electrified world, Semikron Danfoss' technologies are more important than ever. With innovative solutions for applications in

automotive, industrial, and renewable energy sectors, Semikron Danfoss helps to use energy more efficiently and sustainably, significantly reducing CO2 emissions – one of the greatest challenges of our time. Semikron Danfoss' product portfolio includes semiconductor devices, power modules, stacks, and systems.

III. The German Supply Chain Due Diligence Act

The German Supply Chain Due Diligence Act (LkSG) aims to ensure human rights and environment-related obligations throughout the entire supply chain. To this end, it defines a series of protected legal positions that are to be protected against potential violations through extensive due diligence obligations.

According to § 6 (2) of the LkSG, every company within the scope of the LkSG is required to adopt a policy statement on the adherence to human rights and environmental due diligence obligations. This statement must describe the procedures by which a company fulfills its due diligence obligations within its own business area and throughout the entire supply chain. It must identify the human rights and environmental risks that have been prioritized based on the risk analysis. Finally, the policy statement defines the human rights and environmental expectations that a company has for its employees and suppliers in the supply chain.

IV. Compliance with Human Rights and the environment-related Obligations throughout the Supply Chain

International guidelines for the protection of human rights and the environment-related obligations are reflected in the German Supply Chain Due Diligence Act (LkSG) in § 2 (2) and (4). Accordingly, Semikron Danfoss commits to:

- Compliance with the prohibition of slavery, child labor, and forced labor;
- Adherence to regulations regarding occupational health and safety, and working hours;
- Recognition of the right of all employees to form worker representatives, strike, and engage in collective bargaining;

- Equal treatment of all employees, free from any discrimination;
- Provision of a fair wage, at least equal to the minimum wage as stipulated by applicable law;
- Adherence to the prohibition of causing harmful soil changes, water pollution, air pollution, harmful noise emissions, or excessive water consumption;
- Compliance with the prohibition of illegal eviction or deprivation of land, forests, and water bodies;
- Adherence to the prohibition of using private and public security forces if this poses a risk of human rights violations;
- Compliance with the prohibition of significantly impeding human rights through other severe behaviors;
- Adherence to the prohibition of producing mercury-containing products and using mercury and mercury compounds in manufacturing processes, as well as the improper handling of mercury waste;
- Compliance with the prohibition of producing and using banned chemicals;
- Adherence to the prohibition of improper handling, collection, storage, and disposal of waste, as well as the unlawful export and import of hazardous waste.

Semikron Danfoss takes appropriate and effective measures to identify, verify, and prevent human rights and environmental risks within its own operations and throughout the entire supply chain. If it is determined that a violation of a human rights or environment-related obligation has occurred or is imminent, a targeted remedial process is initiated. This involves taking specific actions to end the violation and minimize its consequences.

All measures taken under our human rights and environmental responsibilities follow the principle of "Empowerment before Withdrawal": We are committed to supporting our business partners in avoiding and rectifying violations of human rights or environmental regulations before terminating business relationships or seeking alternative sources.

1. Effective Risk Management

The risk management under the Supply Chain Due Diligence Act (LkSG) is based on the due diligence obligations coordinated and centrally monitored at the Danfoss Group level. This responsibility is held by the Human Rights Officer of Danfoss, who officially holds the title of "Head of Ethics and Human Rights". The "Head of Ethics and Human Rights" from the Danfoss Group has been appointed by Semikron Danfoss in accordance with § 4 (3) of the LkSG. Semikron Danfoss directly follows the due diligence obligations of the Danfoss Group with further ongoing communication. By integrating due diligence obligations into all relevant business processes, Semikron Danfoss ensures that risks are identified and that prevention and remediation measures are effectively implemented.

The local implementation of due diligence obligations at Semikron Danfoss and all affiliated companies is carried out and coordinated by the "Head of Compliance & Risk". With his extensive expertise in risk management processes, he is well-suited to effectively implement the due diligence obligations related to the LkSG within Semikron Danfoss. The organizational establishment of the Compliance & Risk department at Semikron Danfoss ensures seamless integration of due diligence obligations into all relevant business processes of the company. The Compliance & Risk department acts as a central hub for identifying, assessing, and managing human rights and environmental risks, as well as for evaluating the effectiveness of internal control and risk management systems through regular and ad-hoc audits, enabling the company to proactively address and minimize any negative impacts on human rights. An effective risk management process at Semikron Danfoss ensures that risks are identified, assessed, aggregated, and reported regularly across all business processes. Other departments, such as Environment, Health and Safety (EHS), Procurement, or Legal, can play supportive roles in implementing due diligence obligations.

The "Head of Compliance & Risk" oversees the operational execution of risk management at Semikron Danfoss, conducts regular effectiveness reviews, and supports the implementation of due diligence measures. Additionally, he reports annually or on an ad-hoc basis to the management

of Semikron Danfoss on the implementation of due diligence obligations within the company and the direct supply chain.

a) Identifying, Assessing, and Prioritizing Risks

Semikron Danfoss conducts comprehensive risk analyses annually (as well as on an ad-hoc basis in the case of substantial information) regarding compliance with human rights and environment-related obligations within its own operations and for its direct suppliers. Both internal and external expertise is utilized in this process. The complexity and scope of our global supply chain requires the use of external information to assist us in identifying, verifying, assessing, and prioritizing risks.

Our risk analysis system is designed to determine the individual risks associated with each business partner. Based on general supplier information, particularly country of origin and industry, an abstract risk analysis is performed using a variety of recognized indices and studies from external service provider. Following this, we review business partners for specific human rights or environmental risks based on supplier self-assessments, existing certifications, and our own findings from audits or business operations. This review considers not only the business partner's country of origin and industry but also product risks, business risks, the complexity of upstream supply chains, and a range of other data to define, locate, and detect risks early.

We assess and prioritize risks by weighing the typical severity of a potential legal violation and its irreversibility against the likelihood of its occurrence. We also consider our own potential contributions to the cause of risks and the extent of our influence to prioritize risks and act strategically where the realization of risks is imminent. Using a risk matrix, we identify our areas of action and initiate preventive and remedial measures where needed.

As of January 2024, no systematic human rights or environmental risks have been identified in our business operations and direct supply chain. Consequently, no prioritization of risks has been undertaken. Throughout 2024, a comprehensive risk analysis will be conducted for our own

operations and direct supply chains. Should (potential) systematic human rights and environmental risks be identified during this process, they will be prioritized accordingly in the further risk management process and reported in the Semikron Danfoss LkSG Report 2025.

b) Taking Preventive Measures

The due diligence obligations are complemented by appropriate and effective preventive measures at both the Danfoss Group level and Semikron Danfoss.

Danfoss has established a company-wide Code of Conduct, documented in the "Danfoss Ethics Handbook." This handbook clearly outlines expectations and rights for employees.

Danfoss offers extensive training and educational opportunities for employees. Employees involved in implementing human rights and environmental due diligence regularly participate in training measures to meet international human rights and environmental requirements throughout the supply chain. The Danfoss Group and procurement departments also provide training and development opportunities for business partners to enable them to maintain human rights and environmental obligations in their own operations.

We conduct regular and ad-hoc audits within our organization to identify and mitigate risks in an early stage. Business partners are monitored within the framework of legal possibilities and regulations. Specifically, before establishing new business relationships, immediate suppliers undergo thorough screening.

We require business partners to pass on our human rights and environmental expectations throughout the supply chain and to continuously monitor the adherence. To this end, our Supplier Code of Conduct forms the basis for establishing new business relationships. Semikron Danfoss updated this Code of Conduct specifically for the implementation of the LkSG due diligence obligations in 2023 and communicated it to its suppliers.

During the supplier qualification process: Direct suppliers in high-risk countries are subject to Danfoss audits and may receive self-assessment questionnaires before being audited by other parties. This is a prerequisite for approval as a new supplier for Danfoss and has been an important lever for responsible sourcing since Danfoss joined the UN Global Compact.

Our responsible supplier management focuses on Tier-1 suppliers. However, if there is a suspicion of misconduct by Tier-2 suppliers, they are included in the third-party audit scope.

c) Providing Remediation

Effective remediation measures must be taken when a violation of human rights or environment-related obligations occurs or is imminent.

Semikron Danfoss initiates remediation measures immediately upon identifying such a violation. In these cases, we develop individual remediation actions to specifically address and rectify the violations. Additionally, we have established a range of framework measures that can be immediately activated to address specific violations, functioning like a modular system.

For each remediation measure, we define a process, effectiveness criteria, and clear internal responsibility. Each remediation action includes a concrete timeline and may have interim goals.

d) Complaint Procedure

A functional grievance mechanism plays a crucial role in identifying risks and violations in the supply chain. This system is accessible to all affected parties within the supply chain — employees, suppliers, and third parties who may be impacted by our or our suppliers' activities. It is important that reports can be submitted anonymously and confidentially.

Our whistleblowing system considers the complexity of our supply chain. Access barriers are kept low to make reporting as simple as possible.

Reports are handled confidentially. Employees involved in handling complaints reports are not bound to instructions within the complaint management framework; their independence is ensured. Each complaint triggers an evaluation and action process aimed at ending the reported violation or minimizing an identified risk.

Submitted reports and complaints are also considered in the risk analysis.

Further information about the grievance system can be found in the official procedure of complaints on www.semikron-danfoss.com.

e) Documentation and Reporting

The implementation of all due diligence obligations is documented on a continuous basis. All available information regarding identified risks and the preventive as well as remedial measures taken are centrally connected.

We are also committed to transparent communication regarding the human rights and environmental challenges faced by Semikron Danfoss. Through our public reporting, we communicate at least annually the risks identified, the measures taken, and the progress achieved.

V. Partnerships

Semikron Danfoss is a member of the UN Global Compact Network Germany e.V., where companies gain access to learning and dialogue formats related to human rights.

Additionally, Danfoss is an active member of the Nordic Business Network for Human Rights, through which companies receive insights into the ongoing development of the human rights agenda. This network facilitates the exchange of experiences among companies and challenges them with policies, processes, and methods for integrating human rights aspects into business. The network is chaired by the Danish Institute for Human Rights.

VI. Outlook

Semikron Danfoss is committed to the ongoing review, development, and improvement of its own measures. The effectiveness and efficiency of all human rights and environmental due diligence obligations must always be ensured. Effectiveness reviews are conducted if necessary and at least annually.

The Policy Statement for Compliance with Human Rights and environment-related Obligations has been approved by the management of Semikron Danfoss.

President *Semikron Danfoss*

Claus A. Petersen