

Semikron Danfoss Code of Conduct for Suppliers

Between

Semikron Danfoss International GmbH

Semikron Danfoss GmbH

Semikron Danfoss Elektronik GmbH & Co. KG

Husumer Str. 251, D- 24941 Flensburg

Sigmundstr. 200, D- 90431 Nuremberg

- hereinafter referred to as -

"Semikron Danfoss"

and

- hereinafter referred to as the "Supplier"-

1 Introduction

Semikron Danfoss is strongly committed to playing an active role in a sustainable global development where social responsibility, environmental and climate considerations go hand in hand with sound business development. Semikron Danfoss has a strong commitment to economic, environmental and socially sustainable development. As a result of this commitment, Semikron Danfoss has subscribed to the principles of the United Nations Global Compact (www.unglobalcompact.org) and the Science Based Targets initiative. Semikron Danfoss expects all its businesses partners, including suppliers, to comply with the UN Global Compact principles in addition to the laws of the countries where its businesses are located.

As a global leader within its core businesses, Semikron Danfoss strongly believes that it is in the mutual interest of both Semikron Danfoss and its suppliers to meet the present and future requirements of markets and society. This includes demonstrating responsibility towards the people taking part in the manufacture and delivery of products and services.

In order to make its position clear to all suppliers, Semikron Danfoss has established the Semikron Danfoss Code of Conduct for Suppliers (the "Code"). The Code describes Semikron Danfoss' corporate social responsibility requirements for suppliers. As a condition of doing business with Semikron Danfoss, we expect suppliers to comply with these requirements. It is Semikron Danfoss' intention to maintain this Code in a spirit of constructive dialogue and in partnership with suppliers, for the mutual benefit of both parties.

In the Code, the term "Semikron Danfoss" refers to all Semikron Danfoss companies.

2 Semikron Danfoss General Requirements of Suppliers

2.1 Area of Application

The Code applies to the supplier and all supplier Group companies (the "Supplier"). The Supplier shall inform all supplier Group companies of their obligations in relation to the Code and the Supplier is responsible to Semikron Danfoss for all supplier Group companies' compliance with the Code.

2.2 General Responsibilities

The Supplier shall take all necessary actions to ensure the Supplier's compliance with this Code, without undue delay. In addition to complying with the Code, the Supplier shall comply with applicable local laws.

The Supplier is solely responsible for the costs of complying with the Code.

If Semikron Danfoss finds or suspects incidents of non-compliance with the Code related to the Supplier and Semikron Danfoss informs the Supplier hereof, Semikron Danfoss expects the Supplier to investigate and correct issues of non-compliance as soon as possible and within an agreed timeframe. If the Supplier does not show willingness to correct these issues, Semikron Danfoss will consider terminating the business relationship with the Supplier. Any such termination of any business relationship between Semikron Danfoss companies and the Supplier is considered a termination for cause and does not entitle the Supplier to any kind of compensation.

If the Supplier uses sub-suppliers for its supplies to Semikron Danfoss and/or acts as a distributor or wholesaler to Semikron Danfoss, the Supplier shall use its best endeavours to ensure that its sub-suppliers comply with the Code.

2.3 Site Audit

Semikron Danfoss may conduct announced audits at the Supplier's sites, including the Supplier's manufacturing facilities, in order to verify that the Supplier is in compliance with the Code ("CoC audit"). CoC audits may be performed either by Semikron Danfoss employees or by a third-party auditor chosen by Semikron Danfoss.

In order to verify the Supplier's compliance with the Code, the Supplier shall be prepared to provide Semikron Danfoss access to relevant and reasonably requested information and documentation during an audit. All auditors carrying out CoC audits are bound to confidentiality by written agreements. All information and results obtained in connection with the CoC audits will be handled confidentially by Semikron Danfoss and will only be shared with the Supplier. Semikron Danfoss will only use such information for internal purposes.

3 Contact

For general questions or comments on the Code, the Supplier may contact their procurement contact at Semikron Danfoss.

4 Supplier Behaviour

4.1 Child Labour

Semikron Danfoss respects children's right to development and education. Therefore, Semikron Danfoss does not accept the use of child labour as part of the Supplier's work force. This includes employing children under the age of 15, children younger than the legal minimum age, or children younger than the age of completing compulsory school.

Juveniles (children between the age of 15 and 18) are only allowed to be employed by the Supplier, provided that the work complies with local laws, the ILO Worst Forms of Child Labour Convention and the ILO Minimum Age Convention.

In general, all children under the age of 18:

- must not be employed in hazardous work*
- must not work night shifts
- are entitled to more breaks than adults

* Hazardous work is work which, by its nature or the circumstances, is likely to harm the health, safety or morals of children.

4.2 Discrimination

Semikron Danfoss respects cultural differences and does not do business with a Supplier if the Supplier practices discrimination at work based on race, religion, gender, age, nationality or sexual orientation. The Supplier's employees must not be exposed to any physical punishment, threats of violence or physical, sexual, psychological or verbal harassment or maltreatment in the workplace or in work-related situations.

4.3 Forced Labour

Semikron Danfoss does not permit forced or involuntary labour, which includes slavery, human trafficking or any other forms of involuntary work. Semikron Danfoss' suppliers must not use or benefit from forced labour at the Supplier. This includes forced prison work, work on a forced contract, slavery and other forms of work which are done against one's will or choice. The Supplier or any entity supplying labour to the Supplier must not charge fees for recruiting personnel or withhold any part of any personnel's salary, benefits, property or documents in order to force personnel to continue working for the company. All personnel shall have the right to leave the workplace premises after completing the standard workday and be free to terminate their employment with reasonable notice.

Semikron Danfoss does not tolerate employment which confines the employee in debt bondage, for example, through fee-charging employment agencies.

4.4 Working Environment

Semikron Danfoss supports the fundamental human right to have sound working conditions. The Supplier must ensure a good and safe working environment which complies with all applicable rules and laws. As a minimum:

- Workers must not be exposed to dangerous work without being properly protected. Workers must be provided with and must use suitable personal protection equipment and be instructed in its proper use.
- Facilities must comply with applicable laws and rules about construction safety as well as fire protection – and fire alarms.
- Facilities must provide appropriate lighting and ventilation
- All dangerous materials must be stored in safe places and used in safe and controlled ways.
- All machinery must be properly maintained and shielded.
- Facilities for meals, resting and sleeping, must, if provided, be kept clean and safe.

4.5 Working Hours and Salary

Semikron Danfoss recognises the need for a sound balance between working time and leisure time for all employees.

Unless the law provides otherwise, the maximum working time at the Supplier's sites is 48 hours per week plus a maximum 12 hours of overtime work. All workers shall be allowed to have at least one full day off within a period of seven days, unless the national law/rules provide otherwise. Salaries for work and overtime shall be in accordance with the applicable national law or applicable national rules. Deductions in salary due to company fines or penalties must never compromise minimum salary.

4.6 The Right to Organise and Collective Bargaining

The Supplier must not interfere with the worker's right to form and join unions or to bargain collectively. This means that the Supplier must recognise his employees' right to choose whether or not to associate with or establish any organisation, including labour organisations.

If trade unions are not allowed in the area of operation, or only state-authorised organisations are allowed, the Supplier shall facilitate alternative measures to allow employees to access management to discuss work-related matters.

4.7 Right to Privacy

The Supplier shall respect his employees' right to privacy, including the personal dignity, private life and personal rights of each individual.

Processing of personal data should always be in compliance with applicable laws. The Supplier shall at all times observe the basic personal data processing principles:

- The processing must be reasonable and proportional.
- The processing must be time-limited.
- The processed information must be correct and up to date.
- The processing must have a clear business purpose.
- The processing must be relevant to the business purpose.

4.8 Environment

Environmental considerations are an integral part of Semikron Danfoss business practices. The Supplier shall commit to reducing the environmental impact of its business process as well as adhering to the legal norms and international standards regarding environmental protection.

- **Pollution Prevention and Resource Reduction**
The Supplier shall avoid pollution and actively strive to reduce material consumption.
- **Chemicals and Hazardous Materials**
The Supplier shall ensure that all chemicals and hazardous materials are handled, stored and disposed of in an environmentally safe way and as required by law.
- **Air Emissions**
The Supplier shall ensure that air emissions (e.g. of volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting chemicals and combustion by-products generated from operations) are to be characterized, monitored, controlled, and treated and discharged as required by law prior to discharge.
- **Wastewater and Solid Waste**
The Supplier shall ensure that wastewater and solid waste generated from operations, industrial processes and sanitation facilities are monitored, controlled, and treated, discharged or disposed of as required by law prior to discharge or disposal.
- **Recycling and Reuse of Materials and Products**
The Supplier shall contribute to the recycling and reuse of materials and products to the extent possible.

In addition, Semikron Danfoss recommends that the Supplier set science-based and time-bound emission reduction targets and renewable energy objectives that are aligned to the Paris

Agreement and put measures in place that drive forward the decarbonization along the entire value chain.

4.9 Securing the Natural Livelihood of Local People

The Supplier shall ensure that it does not cause harmful soil change, water pollution, air pollution, harmful noise emission or excessive water consumption, which may lead to significant impairment of the natural foundations for food and drinking water or the health of a person.

The Supplier shall comply with the prohibition of unlawful eviction and the prohibition of unlawful deprivation of land, forests and waters in the acquisition phase, development or other use of land, forests and waters, the use of which secures the livelihood of a person.

4.10 Corruption

Semikron Danfoss does not accept bribery and corruption. Corruption and bribery are recognised as barriers to sustainable development and free trade. Semikron Danfoss does not accept these practices and therefore does not offer or accept any kind of undue payment or trade in influence in any of our business transactions. The Supplier shall act accordingly.

The Supplier must:

- Not pay bribes - this also applies to third parties
- Not make facilitation payments (payment to speed up processes), unless being threatened or coerced
- Not offer or accept excessive gifts, hospitality or entertainment.

4.11 Complaint Procedures

Semikron Danfoss encourages the supplier to report known or reasonable presumed behavior which is non-compliant with this Code via the Ethics Hotline (ethics.danfoss.com). All information received will always be treated with confidentiality. Reports can be submitted in any language and can also be submitted anonymously. The Supplier shall ensure that all affected parties (e.g. employees) are informed about the Semikron Danfoss' complaint procedures.

5 Signature

I acknowledge that I have read and understand the Semikron Danfoss Code of Conduct for Suppliers and agree to comply with the requirements of the Code (fill in using block letters or company stamp).

...place..., ...date...

Signature

Name (in block letters), position

Company stamp