

Policies on Danfoss Business Conduct

Group – Global
Policy
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Introduction to Danfoss Policies

Danfoss has a clear aspiration:

We engineer tomorrow and build a better future.

Danfoss policies on business conduct:

- provide the link between our aspiration and our Core & Clear strategy and how we conduct business at Danfoss
- serve as internal guidance and as information to external stakeholders.

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Our Group Strategy

Core & Clear – Going Great

Core & Clear – Going Great sets the overall direction and aspiration for Danfoss: We engineer tomorrow and build a better future.

This means that we:

- have a Leading Portfolio with strong core businesses and high-potential adjacencies
- focus on Customers & Growth to drive high customer loyalty and utilize our full growth potential
- drive Innovative Solutions by using our deep application knowledge and digitalization to add value for our customers
- are Lean & Agile and strive to become the industry benchmark in Safety, Quality, Delivery and Cost
- develop and build our highly competent, diverse and engaged teams - our people is the foundation of our success.

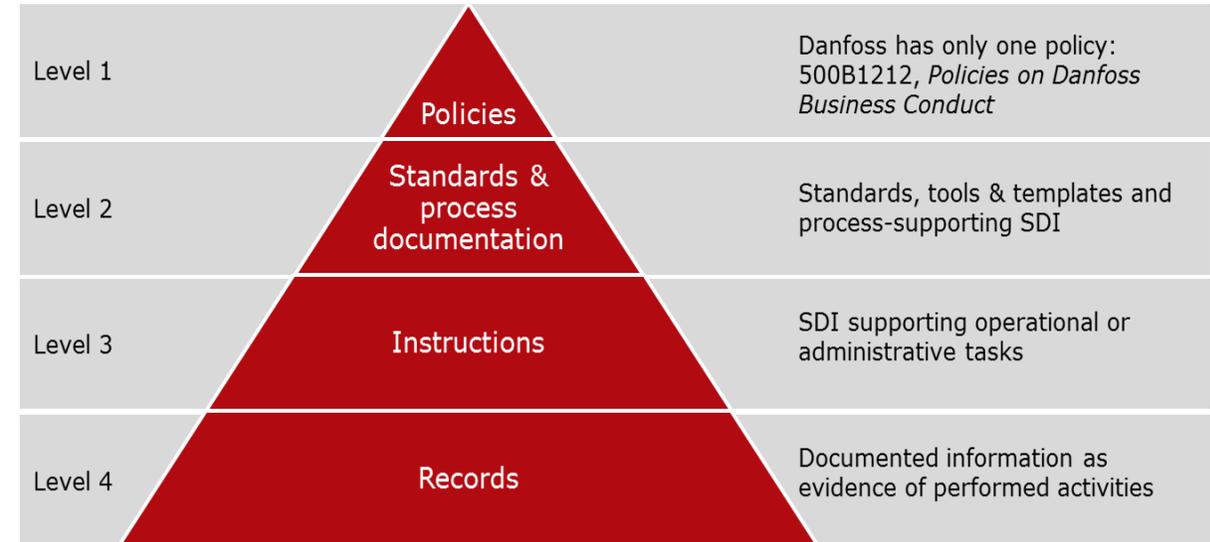


Policy Management

We define and manage our internal policies, standards and processes to support the Core & Clear strategy.

This means that we:

- ensure that business policies, standards and processes are aligned, available and deployed
- ensure clear roles and responsibilities
- ensure regular reviews and continual improvements.



Environment, Health and Safety Policy

We protect the health and safety of our employees and other stakeholders and minimize the environmental impact of our activities.

This means that we:

- provide a safe and healthy workplace and prevent the negative impacts of work
- prevent pollution and manage resources efficiently
- ensure compliance with commitments and legislation
- establish objectives to ensure continual and measurable improvements
- act preventively using a risk-based approach and immediately respond to incidents
- develop and maintain safety and environmental management systems and certifications.



Health & Wellbeing Policy

We care about the health and wellbeing of our employees to ensure a strong workforce and high-performing teams.

This means that we:

- advise our employees on physical and mental health issues, health promotion, immunization and travel-medicine
- support a safe working environment by treating medical incidents efficiently during working hours
- promote wellbeing through health initiatives, which maintain robust and motivated employees and reduce absence
- encourage employees to make healthy choices to promote a healthy lifestyle.



People Policy

Our people work with purpose – engineering technologies that enable the world of tomorrow to do more with less. We trust people and give them freedom to act.

This means that we:

- work together to exceed customer expectations and achieve excellent performance
- continue to learn and value expertise, curiosity and ambition
- provide a working environment where people are treated fairly and can be successful in their life journey
- meet the standards of UN conventions and guiding principles.



Quality Policy

We are recognized for excellence in quality.

This means that we:

- support our customers in achieving their business goals through committed leadership and highly skilled, competent staff
- drive effective and aligned processes, and continually improve them to prevent failures
- comply with statutory and regulatory requirements and agreed requirements from customers and other interested parties
- ensure ISO 9001 certification and IATF 16949 compliance at all manufacturing locations.



Human Rights Policy

We ensure that Danfoss' name is associated with respect for human rights, proper working conditions and social and environmental considerations.

This means that we:

- **Acknowledge** that it is our responsibility to respect human rights and to use our influence to secure dignity for all
- **Respect** the rights outlined in the International Bill of Human Rights, ILO's core conventions on labor rights, and the UN Guiding Principles on Business and Human Rights as a signatory to the UN Global Compact
- Are **committed** to respecting human rights in all of our activities across our value chain, and for affected communities with a particular focus on vulnerable groups, forced labor and child labor
- Our commitment is **embedded** into our values, policies and guidelines, as well as the Danfoss Ethics Handbook



We continuously strive to:

- **Identify** risks and adverse impacts in our value chain. Thus, the established grievance mechanism, which is accessible to everyone, plays an important role.
- **Mitigate and prevent** any identified risks and adverse impacts we may cause, link to or contribute to.
- **Monitor** our performance to ensure progress of our risk prevention and risk mitigation activities.
- **Communicate** our policies, results and performance on an annual basis through our regular reporting.
- **Remedy** any potential adverse impacts Danfoss caused or contributed to and provide reparation for harm suffered to redress any violations.

Ethics and Compliance Policy

We are a business people can trust and rely on, and which drives profitable growth in a decent, ethical manner.

This means that we:

- apply high business ethical standards in all our business
- act with due diligence to address day-to-day ethical dilemmas
- educate our employees to act as responsible Danfoss ambassadors with respect for other people and cultures
- are transparent about our business policies and decisions
- consider disciplinary action in cases of ethical misbehavior.



Sustainability Policy

We will be a reliable and trustworthy business partner by acting responsibly while balancing financial, environmental and social issues.

This means that we:

- comply with the UN Global Compact and support the Sustainable Development Goals
- engage with our stakeholders to promote sustainable development
- do our utmost to implement decisions and actions with dignity and fairness
- ensure that sustainability is a fundamental element of our business conduct focusing on resource efficiency, risk mitigation, reputation and engagement
- ensure that all employees comply with local and international legislation.



Energy Management Policy



At Danfoss, we are committed to responsible energy management, focusing on reducing energy use, increase energy efficiency and transitioning towards renewable energy sources. Our goal is to minimize our carbon footprint and contribute to global efforts by combating climate change, while ensuring comfort and proper working conditions for our employees. Additionally, we prioritize energy security across all our operations, ensuring our energy use aligns with our sustainability goals and regulatory requirements.

This means that we:

- strive to reduce energy consumption across all operations by implementing innovative solutions and best practices
- seek opportunities to capture and repurpose waste energy
- prioritize investments in renewable energy sources to decrease reliance on fossil fuels
- assess energy supply risks and implement measures to safeguard stable, cost-effective, and sustainable energy access.
- promote awareness and engagement among employees to foster a culture of energy responsibility
- track energy consumption and continuously refine our strategies to meet and exceed efficiency targets
- have external stakeholder engagement to get input and understand good practices in the industry

This policy outlines our commitment to:

- **Energy Efficiency**

Danfoss is dedicated to reducing energy consumption and improving energy efficiency across all our operations. We will deploy energy efficient technologies and promote behaviors that optimize energy use and reduce our overall energy footprint. Additionally, we will raise awareness of energy related environmental impacts and advocate for actions to mitigate them.

- **Renewable Energy Adoption**

Danfoss is committed to transitioning towards renewable energy sources, to decrease greenhouse gas emissions. We will prioritize the use of solar, wind & other renewable energy sources across our operations, and invest in solutions to improve energy efficiency & enhance energy security and resilience.

- **Compliance and accountability**

Danfoss ensures compliance with all prevailing energy regulations, laws, and standards across our global operations. We will also align our energy management practices with international standards such as ISO 50.001 to ensure continuous improvement in energy performance.

- **Risk assessment and mitigation**

Danfoss aims to perform risk assessments to identify potential energy-related risks to its operations, such as energy supply disruptions or price volatility, in a structured and formalized approach during 2025, following the standard implementation. Following the assessments, we will implement appropriate mitigation measures to minimize these risks and ensure stable, environmentally acceptable and cost-effective energy supply.

This policy is implemented in accordance with the [policy implementation and governance document for Energy management](#)

Manufacturing Waste Policy

Danfoss aims to minimize the amount of solid waste generated from manufacturing processes to the extent technically and financially feasible and considers waste a resource that can be reused or recycled.

This means that we focus on:

- **rethinking** innovative strategies and solutions to minimize or limit the quantity and/or toxicity from the waste generated across the business operations. Very often waste can be considered a design flaw
- **reducing** the volume of waste generated in our facilities, which can go hand in hand with resource and financial gains.
- **recirculating** the waste by increasing the amount of waste for reuse or recycling and minimizing the waste sent to landfill.

By following this approach we ensure that the waste hierarchy is maintained and we prioritize actions related to **waste minimization and prevention first** and then reusing, repairing or recycling.



More specifically, Danfoss commits to the following:

- The assessment of waste related regulation is an integrated part of the site's environmental management systems.
- The waste management system, part of the environmental management system, includes plans to continuously monitor and prevent or minimize waste generation thus reducing a site's waste disposal footprint.
- All affected employees (including Waste reporting responsible and employees handling waste and generating waste) receive relevant training for their job function. The training must be regularly refreshed and documented, when developments occur and at least once every 4 years.
- All waste is handled, stored and transported in a safe manner and must include processes where relevant for storage, handling and transport of waste are developed
- The principles of circular economy are incorporated (Rethink-Reduce-Recirculate) and the waste being sent for incineration or disposal in landfills is minimized with recycling being the first priority.
- Reporting on waste is done according to European and national regulation. Waste reporting is done internally on a monthly basis and annual figures are externally disclosed in the annual report. When possible, targets for waste reduction, recycling, and reuse etc. are set and monitored regularly
- Benchmarking against the industry best practices is done to establish and continuously improve waste management systems.
- This policy is implemented in accordance with the [policy implementation and governance document for Manufacturing Waste](#)

Water Management Policy

At Danfoss, we are committed to responsible water management practices, ensuring sustainable water use and protecting resources.

Our priority is to ensure access to clean water and sanitation across all our locations.

This means that we:

- strive to continuously **decrease water withdrawals**, consumption, and/or discharge, particularly in regions facing water quality and scarcity issues.
- take proactive steps to **prevent water pollution** and manage wastewater effectively.



More specifically, Danfoss commits to the following:

- **Water conservation**

Danfoss is dedicated to minimizing water withdrawals, consumption, and/or discharge throughout our operations. We will deploy water-saving technologies, adopt efficient practices, and promote behaviors that optimize water usage and lower our overall water footprint.

- **Water Quality Management**

Danfoss is committed to preventing water pollution through proactive strategies and proper wastewater management. We adhere to relevant local standards to protect water quality. This includes setting environmental criteria for supplier selection and monitoring, reducing harmful chemical use for water treatment and treating process water effluent before discharge.

- **Compliance and accountability**

Danfoss ensure compliance with all prevailing water regulations, laws, and standards across our global operations.

- **Risk assessment and mitigation**

Danfoss conducts risk assessments to identify potential water-related risks to its operations, like water quality or scarcity. Following the assessments, we implement appropriate mitigation measures to minimize these risks.

This policy is implemented in accordance with the [policy implementation and governance document for Water management](#)

Sustainable Procurement Management Policy

At Danfoss, we are committed to a Sustainable Procurement which means that Danfoss and its suppliers can contribute to a more sustainable and equitable world. This policy reflects our dedication to responsible procurement by integrating social and environmental compliance into procurement practices at Danfoss and our commitment to achieving specific sustainability targets.

This means that we, via contractual commitments, emphasizing audits, and participation in environmental initiatives focus on:

- Integration and Commitment with a target of minimum 80% of target suppliers with CoC integrated into contracts by 2030:
- Danfoss requires target suppliers to integrate our Supplier Code of Conduct into their contractual agreements, ensuring they commit to upholding the highest standards of social responsibility.
- Supplier Engagement with a target of minimum 80% of target suppliers who have signed CoC by 2030:
- All suppliers must sign the Danfoss Supplier Code of Conduct, affirming their commitment to ethical practices, labor and environmental standards, and human rights.
- High-Risk Supplier Audits with a target of minimum 80% of high-risk suppliers audited by 2030:
- Danfoss will conduct regular audits of high-risk suppliers to ensure compliance with our Supplier Code of Conduct based on our risk matrix. These audits are crucial for identifying and mitigating potential risks in our supply chain.

Environmental commitment

- We commit to purchase minimum 10% (by volume) low-carbon primary aluminum by 2030 and ensuring that at least half of all aluminum used is composed of secondary aluminum by 2030 according to First Movers Coalition (FMC) terminology.



More specifically, Danfoss commits to the following:

▪ **Monitoring and Improvement:**

Suppliers should actively reduce emissions, waste, and energy use, with Danfoss monitoring progress through reports and assessments.

▪ **Implementation and Monitoring:**

Danfoss will ensure policy compliance and suppliers must update on target achievement.

▪ **Continuous Improvement:**

We expect ongoing enhancements in social and environmental performance from suppliers.

▪ **Collaboration and Support:**

Danfoss will support suppliers' sustainability efforts with guidance and best practices. As an example, we have our supplier engagement program, the 'Green Ask' with supplier dialogue, training, data collection and initiatives.

Adherence to this policy helps Danfoss and its suppliers foster a sustainable, equitable future, reflecting our commitment to responsible procurement and specific sustainability targets.

This policy is implemented in accordance with the Danfoss Supplier Code of Conduct and the [policy implementation and governance document for Sustainable Procurement](#)

Circular Economy Policy

Danfoss is committed to push towards doing more with less resources, both in operations and products. To make this happen circularity must be embedded at the core of the industry leading innovation to engineer the way to a sustainable tomorrow.

This means that we:

- Embed circularity in innovation and newly developed products
- Embed circular initiatives in existing business through circular business revenue growth target.
- Are guided in target setting, ambition and vision by our circularity framework of **Rethink-Reduce-Recirculate**
- Apply the waste hierarchy and focus on prevention first.
- Have set the following **Circularity targets**:
 - 80% of newly developed products launched are covered by our circularity approach by 2030
 - 25% increase in our circular business revenues by 2030 from a 2023 baseline



The Danfoss Circularity Framework consists of the following focus areas:

'Rethink' entails changing the business model and the way a product is offered to the market. This can include changes to the design of the product or the business model such as product-as-a-service.

'Reduce' involves decreasing material and energy consumption or switching to greener alternatives during the manufacturing stage, the sourcing of raw materials, logistics and packaging operations.

'Recirculate' involves ensuring products and materials are used as much as possible before their end of life. This approach focuses on products' and parts' recirculation through reuse, refurbishment, remanufacturing, or upgrading, and ensuring recyclability of materials and parts in end of life.

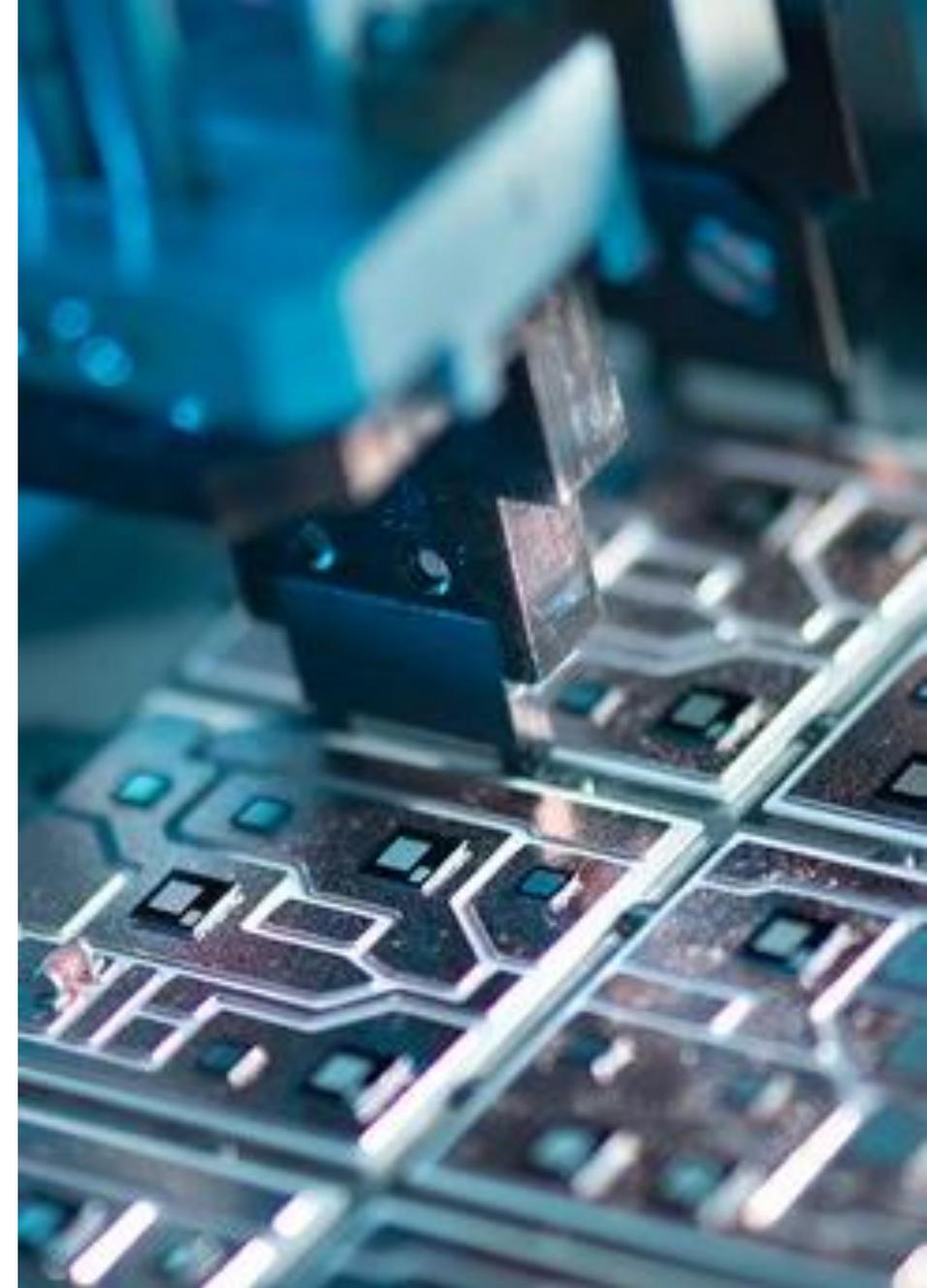
This policy is implemented in accordance with the [policy implementation and governance document for Circular Economy](#)

Product Compliance Policy

We make safe and sustainable products, proactively meeting compliance obligations to customers and regulators.

This means that we:

- proactively drive our compliance program with defined roles and responsibilities
- continually monitor requirements from customers and regulators
- address risks and achieve objectives through efficient processes
- work with our supply chain to minimize adverse impacts
- continually improve compliance processes across our businesses.

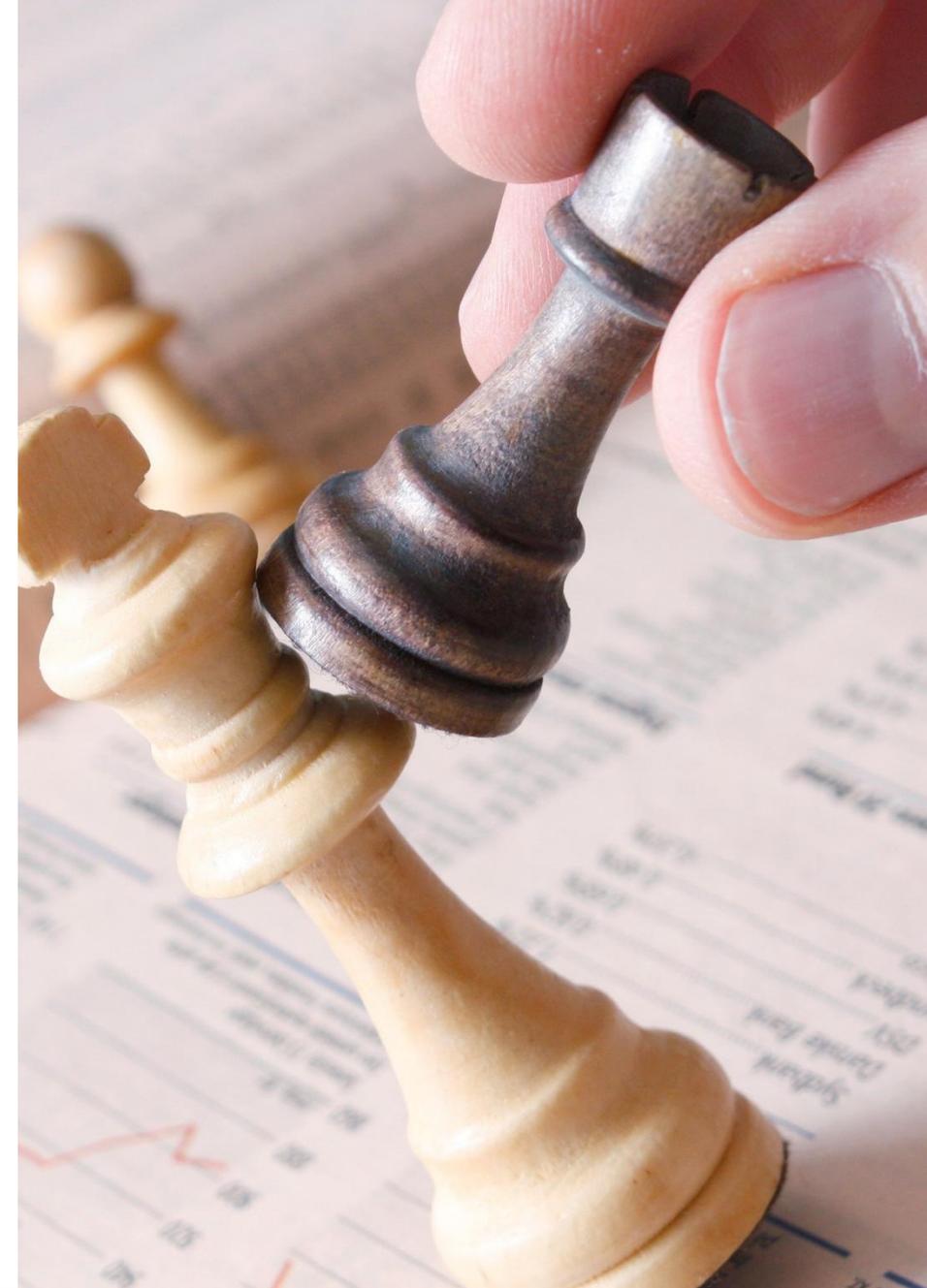


Risk Management Policy

We manage risks and opportunities effectively, to ensure that we remain a sustainable business in increasingly complex business environments.

This means that we:

- take a systematic and holistic approach to managing risks and opportunities
- maintain efficient risk management as a prerequisite for running a sustainable business and act rapidly and flexibly, when conditions change
- identify, assess, treat and monitor risks at all managerial levels.



Information Security Policy

We will be a reliable and trustworthy business partner by protecting our information assets from current and emerging security threats.

This means that we:

- Manage information security based on risk and fueled by threat intelligence;
- Operate controls to ensure the availability, integrity and confidentiality of the information used in our business processes and the supporting information systems;
- Comply with legislative, regulatory and contractual security requirements;
- Provide the resources to plan, implement and continuously improve the information security posture appropriate to our business.



Information Security at Danfoss is supported by:

- **Security Framework:** Danfoss has adopted the ISO/IEC 27000 family of standards as the basis of our information security management system (ISMS).
- **Roles & Responsibilities:** We have clear responsibilities for information security across the organization, with a designated Chief Information Security Officer (CISO) who is accountable for ensuring the enforcement of our security requirements and practices.
- **Security Assurance:** We conduct regular external as well as internal audits and assessments to continuously improve our security posture.
- **Incident Response:** We maintain a robust incident response plan and team, conducting regular exercises to ensure rapid response and effectiveness in addressing security incidents.
- **Third-Party Security:** We extend our security requirements to third parties, ensuring they adhere to security best-practices to safeguard our information assets.
- **Security conscious organization:** All employees, contractors, and partners are responsible for following our information security policies, and standards, and for maintaining security awareness to ensure the protection of Danfoss's information assets and enable informed decisions.

Communication and Reputation Policy

We conduct open and honest communication with all our stakeholders to retain, expand and defend Danfoss' reputation as a trustworthy and responsible company.

This means that we:

- communicate in a way that is clear, to the point and trustworthy
- ensure true dialogue with all of the Group's stakeholders
- show personality and thought leadership in our communications
- speak in a reliable and confident manner that differentiates us.



Anchoring of Danfoss policies

CEO/CFO, Danfoss Boards, appointed Leadership Teams and Group Functions are responsible for maintaining and updating the policies.

Policy	Strategic Owner (CEO/CFO, Board, Leadership Team)	Content Owner Group Function
Environment, Health and Safety Policy	QEHS Leadership Team	DBS-FMQ, DBS Quality
Health & Wellbeing Policy	HR Leadership Team	CF-H, Danfoss HR
People Policy	HR Leadership Team	CF-H, Danfoss HR
Quality Policy	QEHS Leadership Team	DBS-FMQ, DBS Quality
Human Rights Policy	HR Leadership Team	CF-LC, Group Risk & Compliance
Ethics and Compliance Policy	CEO/CFO	CF-LC, Group Risk & Compliance
Sustainability Policy	CEO/CFO	CF-G, Group Sustainability
Energy Management Policy	ESG Leadership Team	CF-G, Group Sustainability
Manufacturing Waste Policy	ESG Leadership Team	CF-G, Group Sustainability
Water Management Policy	ESG Leadership Team	CF-G, Group Sustainability
Sustainable Procurement Management Policy	Global Procurement Board	CF-G, Group Sustainability
Circular Economy Policy	ESG Leadership Team	CF-G, Group Sustainability
Product Compliance Policy	Product Compliance Leadership Team	CF-LR, Group Regulatory
Risk Management Policy	Risk Committee	CF-LC, Group Risk & Compliance
Information Security Policy	Finance Board	CF-I, Danfoss Group Digital & IT
Communication and Reputation Policy	CEO/CFO	CF-C, Group Communication & Public Affairs

Changes in relation to previous version

Issue	Change	Approved Date/Name
4.0	Sustainable Procurement Management policy embedded to underline the Danfoss commitment to responsible procurement behavior. The policy has a link to the Implementation and Governance document to underline scope and roles and responsibilities.	2025-06-05 / Kim Fausing