



Supplier Code of Conduct



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Introduction

At Danfoss, we are strongly committed to playing an active role in sustainable global development, where social responsibility, environmental and climate considerations go hand in hand with sound business development.

As a global leader within our core businesses, we believe that it is in the mutual interest of both Danfoss and our business partners to meet the expectations of markets and society, and to ensure responsible business conduct in our value chains. This includes demonstrating responsibility towards the people taking part in the manufacture, use and delivery of products and services.

As a result of this commitment, Danfoss is a signatory to the United Nations Global Compact and has committed to aligning our business practices with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. It is our expectation that our business partners do the same.

Moreover, we require that all our business partners, including suppliers, must comply with laws of the countries where its businesses are located and/or where they conduct business.

In order to make our position clear to all Suppliers, Danfoss has established this Danfoss Supplier Code of Conduct (the "Code"). In this Code, the term "Danfoss" refers to all Danfoss Group companies.

As a condition of doing business with Danfoss, suppliers are required to adhere to this Code. It is Danfoss' intention to ensure compliance with this Code through constructive dialogue and in partnership with suppliers, acknowledging willingness to improve and apply best efforts to fulfil our expectations.



Contact



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

If stakeholders become aware of circumstances that conflict with this Code, legislation or human rights, our Danfoss Ethics Hotline serves as our formal grievance mechanism.

The Ethics Hotline enables anonymous reporting, followed by an investigation and in case of substantiated allegations result in remedy actions.

The Danfoss Ethics Hotline can be accessed via the following link

[Danfoss Ethics Hotline](#)

1. Implementation and compliance



1.1 Regulatory compliance

The Supplier must adopt or establish a process to identify, monitor and document compliance with applicable laws and regulations, as well as the requirements of this Code. This includes maintaining documentation and records to ensure regulatory compliance along with appropriate confidentiality to protect privacy.

1.2 Policies and management responsibility

The Supplier shall establish human rights, health and safety, environmental and ethics policy statements affirming commitment to conduct due diligence and continual improvement, endorsed by executive management.

This includes identification of senior executives and company representative(s) responsible for ensuring implementation and regular reviews.

Further, the Supplier is encouraged to make policy statements public and communicate to workers in a language they understand via accessible channels.

1.3 Supplier responsibility

The Supplier is expected to establish and implement standards consistent with this Code or similar internationally recognized standards in their own supply chain, and to monitor and document supplier compliance.

Danfoss acknowledges the dynamic nature of due diligence implementation, and as such, preference is given to suppliers who show commitment to ongoing development and improvement.

1.4 Risk management

The Supplier shall adopt or establish a process to identify and manage environmental, health and safety, labor practices and ethics risks, including the risks of severe human rights and environmental impacts, associated with the Supplier's operations.

1.5 Improvement objectives

The Supplier shall establish written performance objectives, targets and implementation plans to improve social, environmental, and health and safety performance, including a periodic assessment of performance in achieving those objectives.

1.6 Training and communication

The Supplier shall establish programs for managers and workers to implement policies, procedures, and improvement objectives, as well as maintain a process for clear communication towards workers, suppliers, and customers.

1.7 Site audits and self-assessments

Danfoss may conduct announced audits at the Supplier's sites, including manufacturing facilities. Audits may be performed either by Danfoss employees or by a third-party auditor chosen by Danfoss.

In order to verify Supplier compliance with the Code, the Supplier shall be prepared to provide Danfoss access to relevant and reasonably requested information and documentation during an audit. All auditors carrying out audits are bound to confidentiality by written agreements.

All information and results obtained in connection with audits will be handled confidentially by Danfoss and will only be shared with the Supplier. Danfoss will only use such information for internal purposes.

Further, Danfoss may request a Supplier to conduct periodic self-assessments.

1.8 Corrective action process

Participants shall establish a process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations, and reviews. periodic self-assessments.

1.9 Compliance with the Code

The Supplier is solely responsible for the costs of complying with the Code and is expected to take all necessary actions to ensure compliance with the Code, without undue delay.

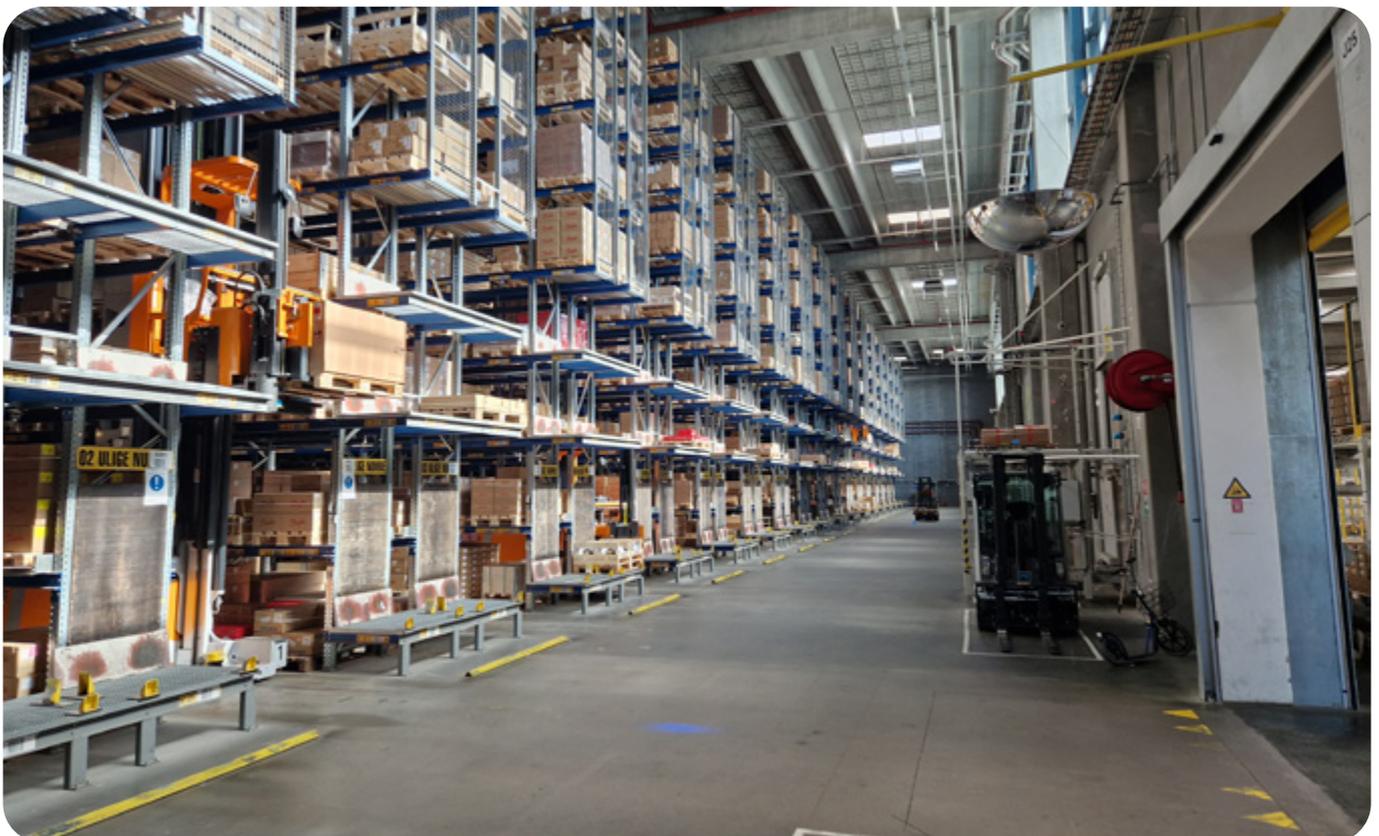
If Danfoss finds or suspects incidents of non-compliance with the Code, the Supplier is required to investigate and correct issues as soon as possible and within an agreed timeframe.

If the Supplier does not show willingness to correct these issues, Danfoss will consider terminating the business relationship. Any such termination of a business relationship between Danfoss Group companies and the Supplier is considered a termination for cause and does not entitle the Supplier to any kind of compensation.

1.10 Stakeholder engagement and access to remedy

The Supplier shall establish processes for ongoing two-way communication with workers, their representatives, and other stakeholders where relevant or necessary. The process shall aim to obtain feedback on operational practices and conditions covered by this Code, and to foster continuous improvement.

Workers shall be given a safe environment to provide grievance and feedback without fear of reprisal or retaliation.



2. Health and safety



2.1 Occupational health and safety

Worker potential for exposure to health and safety hazards (chemical, electrical and other energy sources, fire, vehicles, and fall hazards, etc.) shall be identified and assessed, mitigated using the Hierarchy of Controls.

Where hazards cannot be adequately controlled by these means, workers shall be provided with appropriate, well-maintained, personal protective equipment.

Gender-responsive measures shall be taken, such as not having pregnant women and nursing mothers in working conditions, which could be hazardous to them or their child.

2.2 Emergency preparedness

Potential emergency situations and events shall be identified and assessed, and their impact minimized by implementing emergency plans and response procedures. Emergency drills shall be executed at least annually or as required by local law, whichever is more stringent.

Emergency plans shall also include appropriate fire detection and suppression equipment, clear and unobstructed egress, adequate exit facilities, contact information for emergency responders, and recovery plans.

2.3 Occupational injury and illness

Procedures and systems shall be in place to prevent, manage, track and report occupational injuries and illnesses. These measures may include provisions to encourage worker reporting, classify and record injury and illness cases, provide necessary medical treatment, investigate cases and implement corrective actions to eliminate their causes, and facilitate the return of workers to work.

The Supplier shall allow workers to remove themselves from imminent harm, and not return until the situation is mitigated, without fear of retaliation.

2.4 Industrial hygiene

Worker exposure to chemical, biological, and physical agents shall be identified, evaluated, and controlled according to the Hierarchy of Controls. Suppliers must provide workers with safe and healthy working environments, which shall be maintained through ongoing, systematic monitoring of workers' health and working environments.

The Supplier is expected to provide occupational health monitoring to routinely evaluate if workers' health is being harmed from occupational exposures.

2.5 Physically demanding work

Worker exposure to the hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing, and highly repetitive or forceful assembly tasks shall be identified, evaluated, and controlled.

2.6 Machine safeguarding

Production and other machinery shall be evaluated for safety hazards. Physical guards, interlocks, and barriers shall be provided and properly maintained where machinery presents an injury hazard to workers.

2.7 Sanitation, food, and housing

Workers shall be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities.

Worker dormitories provided by the Supplier or a labor agent shall be maintained to be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate lighting, and adequate conditioned ventilation, individually secured accommodations for storing personal and valuable items, and reasonable personal space along with reasonable entry and exit privileges.

2.8 Health and safety communication

The Supplier shall provide workers with appropriate workplace health and safety information and training in the language of the worker or in a language the worker can understand for all identified workplace hazards that workers are exposed to.

Health and safety-related information shall be clearly posted in the facility or placed in a location identifiable and accessible by workers.

Training shall be provided to all workers prior to the beginning of work and regularly thereafter.

3. Human and labor rights



3.1 Child labor

Danfoss respects children's right to development and education. Therefore, the Supplier must avoid the use of child labor as part of the Supplier's workforce. 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 and the ILO Minimum Age Convention.

Children under the age of 18 must not be employed in hazardous work, must not work night shifts and 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.

The Supplier shall implement an appropriate mechanism to verify the age of workers, and remediation must be provided in cases where child labor is identified.

The Supplier shall ensure proper management of student workers through proper maintenance of student records and protection of students' rights in accordance with applicable laws and regulations, as well as job-related training.

3.2 Forced labor

Danfoss does not permit forced or involuntary labor, which includes slavery, human trafficking or any other forms of involuntary work. The Supplier must not use or benefit from forced labor in any form. 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.

As part of the hiring process, all workers must be provided with a written employment agreement in their native language, or in a language the worker can understand, and that contains a description of terms and conditions of employment.

Migrant workers must receive the employment agreement prior to the worker departing from his or her country or region of origin and there shall be no substitution or change(s) allowed in the employment agreement upon arrival in the receiving country unless these changes are made to meet local law and provide equal or better terms.

All personnel shall have the right to leave the workplace premises after completing the standard workday and be free to terminate their contract without penalty if reasonable notice is given, which shall be clearly stated in workers' contracts. Further, there shall be no unreasonable restrictions on workers' freedom to enter or exit company-provided facilities.

Danfoss does not tolerate employment which confines the employee in debt bondage, for example, through fee-charging employment agencies. The Supplier or any entity supplying labor to the Supplier must not charge fees for recruiting personnel. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

The Supplier or any entity supplying labor to the Supplier must not withhold any part of any personnel's salary, benefits, property or documents. The Supplier may only hold documentation if necessary to comply with the local law. In this case, at no time shall workers be denied access to their documents.

The Supplier is expected to maintain documentation on all leaving workers.

3.3 Working hours

Danfoss recognizes 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 must not exceed 60 hours per week including overtime work, except in emergency or unusual situations. All overtime shall be voluntary.

All workers shall be allowed to have at least one full day off within a period of seven days.

3.4 Wages and benefits

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 shall not be permitted.

For each pay period, workers shall be provided with a timely understandable wage statement that includes sufficient information to verify accurate compensation for work performed. All workers shall receive equal pay for equal work and qualification.

Danfoss is committed to paying our employees a living wage and encourage our suppliers to commit to this as well.

3.5 Discrimination and harassment

Danfoss is committed to inclusion of all people and equal employment opportunities. The Supplier shall maintain processes to ensure that no workers are discriminated based on race, religion, ethnicity, gender, age, nationality, disability, political or sexual orientation.

Workers 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. Further, workers shall be provided with reasonable accommodation for religious practices and disability.

Workers or potential workers shall not be subjected to medical tests, including pregnancy or virginity tests, or physical exams that could be used in a discriminatory way.

Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers.

3.6 Freedom of association 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 recognize its employees' right to choose whether or not to associate with or establish any organization, including labor organizations.

Workers and/or their representatives shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation, or harassment.

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

4. Environment and climate



4.1 Environmental regulation and permits

All required environmental permits, approvals, and registrations shall be maintained, and associated operational and reporting requirements shall be followed.

Further, the Supplier must adhere to all applicable laws, regulations, and customer requirements regarding the prohibition or restriction of specific substances in products and manufacturing, including labeling for recycling and disposal.

4.2 Pollution prevention and resource conservation

Emissions and discharges of pollutants and generation of waste shall be minimized or eliminated at the source or by practices such as adding pollution control equipment; modifying production, maintenance, and facility processes; or by other means.

The use of natural resources, including water, fossil fuels, minerals, and virgin forest products, shall be conserved by practices such as modifying production, maintenance and facility processes, materials substitution, re-use, conservation, recycling, or other means.

4.3 Hazardous substances

The Supplier shall ensure that all chemicals and hazardous materials are handled, stored, used, recycled, and disposed of in an environmentally safe way and as required by law. Hazardous waste data shall be tracked and documented.

4.4 Solid waste

The Supplier shall ensure that 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.

Generation of waste shall be reduced to the extent possible, and waste data shall be tracked and documented by the Supplier.

4.5 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 characterized, monitored, controlled, treated and discharged as required by law prior to discharge.

Ozone- depleting substances must be effectively managed in accordance applicable regulations.

4.6 Materials restrictions

The Supplier must adhere to all applicable laws and regulations regarding the prohibition or restriction of specific substances in products and manufacturing, including labeling for recycling and disposal.

4.7 Water management

The Supplier shall implement a water management program that documents, identifies and monitors water sources, water consumption and discharges. Further, the Supplier shall seek opportunities to conserve water within its own operations and supply chain.

The Supplier shall ensure that wastewater 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. Data on water consumption and wastewater discharges shall be tracked and documented.

4.8 Energy consumption and greenhouse gas emissions

Environmental considerations are an integral part of Danfoss business practices. The Supplier shall commit to reducing the environmental impacts of its manufacturing process and apply methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

Energy consumption and all Scopes 1, 2, and significant categories of Scope 3 greenhouse gas (GHG) emissions shall be tracked and documented.

The Supplier is expected to establish and report against a company-wide GHG emissions reduction target.

Further, it is encouraged to set science-based and time-bound climate targets aligned with the 2015 Paris agreement.



5. Business ethics



5.1 Business integrity

A zero-tolerance policy to prohibit any form of corruption, bribery, extortion or embezzlement must be in place.

5.2 Improper advantages

Bribes or other means of obtaining undue or improper advantage shall not be promised, offered, authorized, given, or accepted. Monitoring, record keeping, and enforcement procedures must be implemented to ensure compliance with anti-corruption laws.

5.3 Disclosure of information

All business dealings shall be transparently performed and accurately reflected on the Supplier's business books and records.

Information regarding the Supplier's labor, health and safety, environmental practices, business activities, structure, financial situation, and performance shall be disclosed in accordance with applicable regulations and prevailing industry practices.

Falsification of records or misrepresentation of conditions are unacceptable.

5.4 Intellectual property rights

Intellectual property rights shall be respected. Transfer of technology and know-how is to be performed in a manner that protects intellectual property rights, and customer and supplier information shall be safeguarded.

5.5 Fair business practices

Standards of fair business, advertising, and competitive practices shall be upheld in all business dealings.

5.6 Protection of identity and non-retaliation

Programs that ensure the confidentiality, anonymity, and protection of Supplier and employee whistleblowers shall be maintained, unless prohibited by law. The Supplier shall have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

5.7 Responsible sourcing of minerals

The Supplier shall adopt a policy and exercise due diligence on the source and chain of custody of the tantalum, tin, tungsten, gold, and cobalt in products manufactured, in order to reasonably assure that they are sourced in a way consistent with the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas or an equivalent and recognized due diligence framework.

5.8 Privacy

The Supplier shall commit to protecting the reasonable privacy expectations of personal information of everyone they do business with, including suppliers, customers, consumers, and employees. Further, the Supplier must comply with privacy and information security laws as well as regulatory requirements when personal information is collected, stored, processed, transmitted, and shared.

Explore our solutions
danfoss.com



Further information available on
Danfoss' website: danfoss.com

Danfoss A/S
Nordborgvej 81
6430 Nordborg
Denmark
danfoss@danfoss.com
CVR reg. no. 20165715

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