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Danfoss Tax Policy

Purpose

To support the overall company business strategy and to be a responsible taxpayer.

Tax value

Tax costs are considered a business cost and should be considered in any business decision. Regarding UN Sustainable Development Goals, Danfoss acknowledges and respects the importance of tax payments in the countries where Danfoss operates.

Tax planning and use of tax incentives

Tax planning initiatives focus on avoiding double taxation and creating a fair profit allocation according to the OECD principles. Danfoss' business model is substance-based, and its global presence is driven by commercial reasons, not tax planning initiatives. This also applies if Danfoss is present in countries included on the EU list of non-cooperative tax jurisdictions. Danfoss will utilize incentives and tax relief made available by authorities, provided that the incentives are generally accessible and that Danfoss has local commercial substance in the relevant tax jurisdiction.

Tax risks

Danfoss is committed to building processes and controls generating a low-risk environment. However, cross border activities imply a higher risk level due to national tax systems not always being aligned and/or harmonized.

Compliance

Danfoss is committed to high compliance standards, ensuring high quality in data and processes to meet legal requirements.

Transparency

Danfoss is committed to transparent and substance-based business models. Danfoss focuses on an open and direct dialogue with the local tax authorities.

Legal and capital structure

Danfoss focuses on simplicity, consolidation for tax purposes, and efficient repatriation.

Competences

Danfoss has established and will maintain an internal organization based on tax competences to support tax-compliant processes globally. The Danfoss tax organization is supported by external advisors when additional competences are needed.

Responsibility

The Danfoss Group Tax Policy is reviewed on an annual basis by the Board of Directors and the Group Executive Committee. The Chair of the Audit Committee is responsible, within the Board of Directors, for oversight of the group's tax policy. Operational tax matters, including monitoring and management of tax risks, are reported to the Audit Committee on a periodic basis.