

December, 2023

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. In regard to UN's 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 have focus on avoiding double taxation and creating a fair profit allocation according to the OECD principles. Danfoss has presence in jurisdictions considered tax havens due to commercial reasons. Presence in these jurisdictions is not driven by tax planning initiatives. Danfoss will utilize incentives and tax relief made available by authorities on the conditions 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 in order 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. Chair of the Audit Committee is responsible within the Board of Directors for oversight of the groups tax policy. Operational tax matters, including monitoring and management of tax risks, is reported to the Audit Committee on a periodic basis.