The Ethics Handbook
Ethical guidelines for employees and managers in Danfoss

One Company – Acting Responsibly
Our Behavior

We build our business on trust and integrity
Danfoss is known as a company one can trust and rely on, and which conducts business in a decent and ethical manner.

We are innovative in our ambition to exceed expectations
Danfoss must be a trendsetter when it comes to all business matters, including compliance.

We are global and embrace diversity
Danfoss is a global organization that values differences and promotes diversity by being inclusive.

We treasure sustainable results
Danfoss delivers sustainable financial results and at the same time provides a healthy and safe working environment and an attractive workplace for our employees. We produce our products under proper social and environmental conditions and we engage in dialogue with our stakeholders in order to understand their expectations. Danfoss believes in a balance of financial, environmental and social results.
We are all ambassadors for Danfoss

Danfoss is a world-leading supplier of technologies that meet the growing need for food supply, modern infrastructure, efficient energy utilization and climate-friendly solutions.

In order to maintain and develop our position and good reputation on the global market, it is key that we create financial results in an ethical manner. Danfoss is represented in many countries and employs more than 22,000 people. This means that we are noticed, both when we are successful, and if we make mistakes.

We take pride in our solutions being sustainable and it is equally important to us that our behavior is also sustainable. The Danfoss name must always be associated with respect for human rights, proper working conditions, and social and environmental considerations. Our decisions and actions must reflect the fact that Danfoss is continuously working to improve our production, products and services for the benefit of our customers, other stakeholders and the environment.

Irrespective of where you work in the Group, you are an ambassador for Danfoss. Therefore, we expect you to behave professionally and with respect for other people and cultures. If you are a manager, you must set a good example for your employees and assist them in being loyal to Danfoss’ values and policies.

Every single day, our employees worldwide experience situations where they need to make decisions that are significant to Danfoss’ reputation and business. In the vast majority of these situations, we know that our employees do the right thing. However, dilemmas may occur where it can be difficult to assess what the right decision should be.

This Ethics Handbook describes Danfoss’ ethical guidelines. The handbook will support you in living up to our values and policies. This way, you ensure that Danfoss stands behind your decisions.

Thank you for your continued support!

Sincerely

Kim Fausing
President & CEO
# Table of Contents

## Introduction
Who should comply with the ethical guidelines? ................................................................. 6
What happens if I violate the ethical guidelines? ................................................................. 6
What to do if I am in doubt concerning the guidelines? ..................................................... 6
How do I report violations of the guidelines? ........................................................................ 6
How are local laws balanced against the ethical guidelines? ........................................... 6
How to take the ethical test ................................................................................................... 7
What is the relationship between the guidelines and UN Global Compact? ....................... 8
How did the requirements of the ethical guidelines come about? ..................................... 8
Why are human rights also the responsibility of companies? ........................................... 8
How to use the Ethics Hotline in case of violations ........................................................... 8
Policies and guidelines ....................................................................................................... 8

## Danfoss and our employees
The way we interact ........................................................................................................... 11
Working environment ........................................................................................................ 11
Discrimination .................................................................................................................. 11
Employment and the right to privacy ................................................................................ 12
Forced labor and employment conditions ........................................................................ 13
Collective bargaining ....................................................................................................... 14
Child labor ....................................................................................................................... 14
Confidential information ................................................................................................ 14
Electronic communications tools .................................................................................... 15
Alcohol and narcotics ....................................................................................................... 16
Theft and fraud ............................................................................................................... 16
Politics ............................................................................................................................ 16
Conflicts of interest ......................................................................................................... 16
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Danfoss and our external partners</strong></td>
<td></td>
</tr>
<tr>
<td>Corruption and bribery</td>
<td>19</td>
</tr>
<tr>
<td>Money laundering and tax affairs</td>
<td>20</td>
</tr>
<tr>
<td>Facilitation payments</td>
<td>20</td>
</tr>
<tr>
<td>Extortion and protection money</td>
<td>20</td>
</tr>
<tr>
<td>Gifts and entertainment</td>
<td>21</td>
</tr>
<tr>
<td>Donations</td>
<td>22</td>
</tr>
<tr>
<td>Fair competition (anti-trust)</td>
<td>23</td>
</tr>
<tr>
<td>Information about competitors</td>
<td>23</td>
</tr>
<tr>
<td>Product safety</td>
<td>23</td>
</tr>
<tr>
<td><strong>Danfoss and the society</strong></td>
<td></td>
</tr>
<tr>
<td>Communications and transparency</td>
<td>25</td>
</tr>
<tr>
<td>Local engagement</td>
<td>25</td>
</tr>
<tr>
<td>Production</td>
<td>25</td>
</tr>
<tr>
<td>Environmental considerations</td>
<td>26</td>
</tr>
<tr>
<td>Security guards</td>
<td>26</td>
</tr>
</tbody>
</table>
The Ethics Handbook outlines Danfoss’ ethical guidelines; grouping them according to three main sections:
- Danfoss and our employees
- Danfoss and our external partners
- Danfoss and the society

The handbook is a reference book, and the table of contents provides a quick overview of the subjects discussed. The guidelines are aimed at all employees and companies in the Danfoss Group, including subsidiaries and joint ventures where Danfoss has a controlling interest.

Undoubtedly, there will be questions and dilemmas which the handbook does not clearly answer. In those situations, you should contact your manager or AskUs, which provides advice and guidance on business-related ethical dilemmas. Asking for advice and guidance is better than jeopardizing Danfoss’ reputation. Below are the answers to general questions.

**Who should comply with the ethical guidelines?**
Everyone who works for Danfoss must follow our ethical guidelines. This applies equally to employees, managers, consultants, trainees and students. In addition, if you are a manager, you are especially responsible for ensuring that your employees know and understand the guidelines and Danfoss’ expectations concerning correct behavior.

**What happens if I violate the ethical guidelines?**
You must never take part in anything which may harm or discredit Danfoss’ name or reputation. You are responsible for your actions and Danfoss can terminate your employment contract if you choose to ignore our ethical guidelines.

**What to do if I am in doubt concerning the guidelines?**
If you are in doubt as to whether you are acting correctly, you can take the ethical test, see next page. If this does not remove your doubt you should ask your manager or contact AskUs.

**How do I report violations of the guidelines?**
You must take immediate action if you become aware of circumstances that conflict with the ethical guidelines or that could harm or discredit Danfoss in any other way. You should contact your manager or the Ethics Hotline via the intranet. See the fact box: How to use the Ethics Hotline in case of violations.

**How are local laws balanced against the ethical guidelines?**
All companies, business units, departments and employees within Danfoss must, as a minimum, comply with the local laws of the countries in which they are operating. In the situations where Danfoss’ ethical guidelines are stricter than the local legislation, the guidelines of the Ethics Handbook must be complied with. If you witness a discrepancy between local legislation and our ethical guidelines, you must contact AskUs.
The ethical test

How to take the ethical test
If you are uncertain whether you are acting ethically, you should ask yourself the following four questions. If you answer ‘no’ to one or more of them, you should refrain from doing it.

Do I comply with relevant rules, regulations and policies?

Am I acting loyally towards Danfoss?

Am I prepared to be held accountable?

Is this compatible with Our Behaviors?
What is the relationship between the guidelines and UN Global Compact?
Danfoss has joined the UN Global Compact Initiative, which consists of ten principles for good corporate citizenship. The principles make up the framework for our work with human rights, labor rights, the environment and anti-corruption. Therefore, they are incorporated into Danfoss’ Ethics Handbook, as well as into Danfoss’ Code of Conduct for Suppliers, which describes the requirements with regard to our suppliers’ social and environmental responsibility.

How did the requirements of the ethical guidelines come about?
Our ethical guidelines are based on the Danfoss Behavior and the principles in a number of international conventions and guidelines, which are considered as basic for sustainable development. These are e.g. the UN Global Compact and the ILO’s core conventions on labor rights. ILO stands for International Labor Organization, under the UN, which lays down agreements between three parties: the employer, the employee and the government.

Why are human rights also the responsibility of companies?
We have a global presence and, consequently, Danfoss is operating in areas where human rights are being challenged. It is the duty of each government to protect its population against human rights violations, but as a socially responsible company, Danfoss must support the respect for human rights. We are responsible for making sure that we are not complicit in Human Rights violations in our business decisions and activities, and that we use our influence to secure dignity for all.

How to use the Ethics Hotline in case of violations
- You can visit the internet site (http://ethics.danfoss.com).
- Your report will always be treated confidentially.
- You can choose to be anonymous.
- Concerns raised in good faith will never result in retaliation.
- Irrespective of the report raised, all cases will be treated with professionalism.
- The Ethics Committee, which is responsible for dealing with ethical cases, will always follow up on reports.

Policies and guidelines
500B1212  Danfoss business conduct
500B0574  Environmental issues
500B1125  Reporting of unethical behavior
500B1199  Roles and responsibilities with respect to ethical cases
500B1207  Danfoss anti-corruption manual
500B1251  Danfoss competition compliance manual
500B0883  IT code of conduct
500B0829  Handling of emails
500B1147  Personal use of social media
500B1175  Professional use of social media
500B1180  Global recruitment
500B1200  Danfoss code of conduct for suppliers
Danfoss and our employees

The way we interact
Danfoss expects our employees to have integrity and be mutually respectful. Danfoss respects the employees’ right to express themselves freely and encourages open dialogue and constructive feedback between managers and employees. We believe that different views and experiences contribute to developing the innovative solutions which make us competitive on the global market.

The following applies to all employees:
- You must treat your colleagues honestly and fairly.
- You should not hesitate to propose new ideas for solutions to work-related problems.

Working environment
In Danfoss’ view, one of the prerequisites of running a sound and efficient business is to have a good and safe working environment where employees can work without being injured or becoming ill. The working environment refers to all physical, chemical and psychological conditions at the workplace that affect the employees’ health and well-being. We are working proactively to prevent working environment problems, for example by minimizing the use of substances which could be harmful to humans or the environment.

The following applies to all employees:
- You must stay informed and updated with regard to the working environment and safety in the workplace.
- You must follow the instructions given to you.
- You must use the personal protective equipment required to perform your work.
- You must not expose yourself or others to unnecessary physical or psychological strains.
- You must contribute to identifying causes of work accidents and participate in the prevention of recurrences.
- You are jointly responsible for creating a positive working atmosphere.

The following also applies to managers:
- You must ensure that your employees receive training and comply with all requirements related to working environment and safety.
- You must continuously identify the needs for extra training, which could prove necessary to maintaining a high level of safety.
- You must ensure that your employees are continuously briefed on learning points from work accidents, which will prevent recurrences.
- You must take action on matters, which create a negative working atmosphere.

Discrimination
Danfoss respects cultural differences and wishes to treat each employee with dignity. We do not tolerate discrimination in the workplace, and we want to ensure that employees are not subjected to unfair discrimination. It is important for Danfoss’ development that all employees have opportunities to develop their potential. Discrimination in the workplace eliminates this opportunity.
The following applies to all employees:

- You must not take part in bullying, discrimination, harassment due to gender, age, nationality, ethnicity, caste, religion, sexual orientation, disability or political opinion etc. Also, you are not allowed to talk or act in a way that creates a hostile work environment for others.
- You must intervene or contact your manager or HR, if you or others are discriminated against.

The following also applies to managers:

- You must ensure that all of your employees are treated equally and are evaluated according to qualifications and performance.
- You must not discriminate against any employee e.g. on the basis of gender, age, nationality, ethnicity, caste, religion, sexual orientation, political opinion, or non-disqualifying physical or mental disability etc. This applies to all employment decisions and terms and conditions of employment.

**Employment and the right to privacy**

Danfoss respects the employees’ right to privacy. This right applies to both our current employees and when recruiting and employing new employees. We strive to ensure compliance with existing rules relating to the protection of personal data.
The following applies to managers and HR staff:

- Registration of employees’ personal information shall only be work-related, and you must treat and store the information in a secure manner and in line with statutory provisions. You should observe that all employees have the right to read their own personal data.

- You must ensure that Danfoss only orders health tests which are absolutely necessary, or which the employees have specifically requested, and you may not use health tests for discriminatory purposes.

- You must not inquire about applicants’ health, unless it is relevant for the work performance or safety, or necessary for complying with relevant legislation. Also, you must not inquire about the applicant’s private life, political affiliation, sexual orientation and religion, or intimate questions regarding family circumstances, including pregnancy.

- If you hire recruitment consultants, you must inform them about the above-mentioned guidelines regarding the protection of personal data and the use of health tests.

**Forced labor and employment conditions**

Danfoss does not tolerate forced labor. This includes slavery, human trafficking or any other forms of involuntary work. We respect our employees’ right to a healthy balance between working hours and leisure time and we avoid systematic use of excessive hours of work.

The following applies to managers and HR staff:

- You must ensure that each employee has an employment contract or is covered by written terms specifying conditions for employment and termination so it is clearly evident that the employee is employed voluntarily.

- You must ensure that all new employment contracts or other written terms of employment require the employee to comply with Danfoss’ ethical guidelines.

- You must ensure that the weekly work time for employees working in production/hourly paid employees is maximum 48 hours. Overtime can be necessary, e.g. in peak seasons, but must not exceed 12 hours per week (i.e. maximum 60 hours) on average in a period of four running months. Any deviating arrangements concerning working hours and overtime must be agreed with the employees. You must always comply with stricter rules in local law or collective agreement, if applicable.

- You must ensure that employees are allowed no less than 24 consecutive hours of rest in every seven-day period.

- You must ensure that salary, including payment for overtime, is in accordance with local law or collective agreement.

- You should avoid using salary deduction as a disciplinary measure, except if an employee grossly neglects important duties (e.g. safety rules) and where other sanctions are insufficient. Each salary deduction must be:
  - In accordance with local law or collective agreement,
  - Limited so that the net salary is sufficient to satisfy the basic needs of the employee and his/her family and not below applicable minimum wage,
  - In accordance with local guidelines communicated in advance. The guidelines must include grounds and extent of deductions and
  - Approved by manager’s manager and HR.
You should generally avoid work-related debt obligations for your employees, e.g. avoid that they pay fees to recruitment agencies.

You must only use prison labor if the prisoners have voluntarily agreed to the employment, and if wages and working conditions are in accordance with local laws and resemble conditions that apply for the rest of the workforce. Also, prison workers must be supervised by a public authority or other independent party.

**Collective bargaining**
Danfoss wants an open and constructive dialogue regarding working conditions. We respect the employees’ right to organize and acknowledge their right to collective bargaining.

**The following applies to managers:**
- In countries where legislation does not permit the employees to freely choose a union, or where the system of unions does not function, you must ensure that the employees or their representatives are able to meet with management in another way to discuss working conditions.
- You must ensure your employees are free to meet and discuss work-related issues.

**Child labor**
Danfoss respects a child’s right to development and education and, therefore, we do not tolerate child labor.

**The following applies to managers and HR staff:**
- If you employ a juvenile between 15 and 18 years of age, you must ensure they are over the local minimum age for employment, and over the local age for completing compulsory school. Also, the juvenile must not perform dangerous work, must not work at night, and they must have more breaks than employees aged over 18 years.
- In an extraordinary situation, you may employ children of 14 years of age if local circumstances imply that the child will receive the best protection and development by having employment. The work must be easy to perform and safe, and it should enable the child to have access to an education. Employment must take place in close collaboration with the child, the child’s closest family, and with recognized organizations that safeguard children’s needs. If you are in doubt, please contact AskUs.

**Confidential information**
A trusting relationship between Danfoss and its employees requires that confidential information is not disclosed to unauthorized persons. Confidential information is information which is not normally accessible to third parties, which is critical to Danfoss’ business, and/or cannot legally be submitted to third parties without prior approval. This includes e.g. information about Danfoss’ strategy, technology, products, prices, employees and business partners.

**The following applies to all employees:**
- You must not use Danfoss’ confidential information for personal purposes.
- You must not disclose Danfoss’ confidential information to others outside Danfoss.
- You must not disclose confidential information about business partners to third parties.
- You must ensure that information in your possession (e.g. on your computer, telephone, or in your documents is not accessible to unauthorized persons).
Electronic communication tools
Danfoss provides electronic communication tools to employees for work-related purposes. Private use of these tools is permitted in moderation, and only if this does not affect the employee’s work.

The following applies to all employees:
- You must only use communication tools for approved purposes, and you must always comply with Danfoss’ IT policies.
- You must not use your Danfoss telephone in a way that incurs additional non-business related costs for the company.
- You must not use Danfoss’ communication tools to run your own company.
- You must not use Danfoss’ communication tools for illegal, offensive or intimidating communication, or communication which violates copyrights, trademarks or people’s right to privacy.
- You must not distribute information that contributes to creating a hostile atmosphere or an unproductive workplace.
- You must not distribute chain letters, computer viruses or other material that can inconvenience others or cost them money.
- You must protect information (e.g. passwords) that can be used to gain access to Danfoss’ systems.
- You must immediately contact the IT ServiceDesk, if you suspect a breach in IT security (e.g. a virus attack), which could threaten Danfoss’ information systems.
Alcohol and narcotics
Danfoss wants to be a healthy and safe workplace. If Danfoss suspects that working environment or safety-related conditions are being neglected as a result of alcohol or narcotic use, we have the right to conduct relevant investigations.

The following applies to all employees:
- You must not consume alcohol or be under the influence of alcohol during working hours, unless it is related to celebrations or other similar events that are approved by management.
- You must not possess, consume, be under the influence of or encourage others to take illegal or controlled drugs during working hours. The only exception is drugs properly prescribed and consumed, provided that safety is not jeopardized.

Theft and fraud
All forms of theft, embezzlement or fraud at the workplace or misuse of the Danfoss name, products, property or information are not tolerated, and may lead to dismissal and legal action.

The following applies to all employees:
- You must not misuse Danfoss’ credit cards or cash funds.
- You must not deceive Danfoss in connection with the recording of travel, working hours or holidays.
- You must not add false expenses to your expense account, intentionally increase your expenses, or charge Danfoss for private purchases.
- You must not use Danfoss’ letterhead or Danfoss’ name or trademark for personal or unauthorized purposes.

- You must not wrongfully take Danfoss property or remove such items from the company premises without having obtained your manager’s written approval.
- You must not copy materials that are protected by copyright or require a license (including software).

Politics
Danfoss does not want to support certain political parties, or the interests of political parties. However, Danfoss’ management can approve memberships of industrial organizations or organizations which operate within the framework of the agreements that the Danfoss Group has entered (e.g. the UN Global Compact).

The following applies to all employees:
- You must not use the Danfoss name or trademark for political activities of any character.
- You must not distribute personal political opinions using Danfoss letterhead or your Danfoss email address.
- You must not provide money or other forms of support to political parties on behalf of Danfoss.
- You must not use items bearing Danfoss’ name or trademark for personal participation in political activities.
- You may be a member of an industrial organization, if your manager has approved the membership.

Conflicts of interest
Danfoss expects its employees to make Danfoss aware at all times of actual or potential conflicts of interest. A conflict of interest arises when an employee could potentially give preference to personal interests in situations when his or her duties and responsibilities to Danfoss should come first.
The following applies to all employees:

- You must speak to your manager if you are in any doubt as to whether you find yourself in a potential conflict of interest.
- You must never misuse your position at Danfoss or Danfoss’ name for personal gain.
- You must use your full resources for Danfoss.
- You need **written approval from your manager**, if:
  - You have your own company as a sideline activity.
  - You work for, own more than 5% of, or have any other financial interest in a company which buys from or sells to Danfoss.
  - You invest in a company and, in your job at Danfoss, you have influence on business-related decisions pertaining to the cooperation with this company.
- You must inform your manager, if:
  - Your immediate family is employed at, owns more than 5% of, or has a significant financial interest in a company which competes with, buys from or sells to Danfoss, and, in your job at Danfoss, you have influence on business-related decisions pertaining to this company.
- You must not encourage any of Danfoss’ business partners to do business with a company in which you have financial interests without first having informed the business partner about your financial interests.
- You may not have influence in business-related decisions at a competitor.

You must **under no circumstances**:

- Work for, own more than 5% of, or have any financial interest in a company which competes with Danfoss.
- Help relatives, friends or other close relations to achieve supplier or distribution agreements or other financial agreements which involve Danfoss.

The following also applies to managers:

- You must ensure that no individual employee can process all elements of a financial transaction on behalf of Danfoss (i.e. from the transaction’s initiation, approval and payment to reporting) without involving others.
- You must assess all reports from your employees regarding conflicts of interest and ensure your decisions are documented in writing.
- You must ensure that spouses or partners are not each other’s superior or subordinate, and try to avoid situations in which partners or spouses are employed in the same department because this could cause unnecessary conflicts at the workplace. If you enter into a relationship with one of your employees, you must inform your immediate manager.
- You must under no circumstances hire relatives, friends or other close relations at Danfoss.
**Corruption and bribery**

Danfoss does not tolerate corruption. Corruption is the misuse of one’s position, of any kind, for one’s own or Danfoss’ profit. Corruption includes, among other things, bribery, money laundering, extortion, protection payments and nepotism (preferential treatment of one’s relatives or friends). Bribery is when you give or receive an item of value (an offer, promise, grant, gifts/money or a loan) and, thereby, are expected to give or receive undue advantages, i.e. advantages which cannot be obtained honestly and legally.

Corruption is punishable and can have severe consequences for both Danfoss and the employees involved. Danfoss risks being sentenced to pay large fines and compensation, extensive audits by authorities, exclusion from tenders and a poor reputation. The employees involved risk personal fines, personal liability damages, dismissal and imprisonment.

Danfoss works actively against corruption via its membership of the UN Global Compact and World Economic Forum’s (WEF) Partnering Against Corruption Initiative, among other things.

Our anti-corruption rules are explained in detail in the Danfoss Anti-Corruption Manual, which particularly targets employees who have contact with business partners and authorities. The manual is available on the Danfoss intranet under Group Compliance.

Danfoss’ guidelines regarding anti-corruption apply to all Danfoss companies, including subsidiaries and joint ventures where Danfoss has a controlling interest. In some countries, Danfoss uses distributors, agents and consultants who act on our behalf. We may be held liable for any violation of legislation and other unethical behavior by these third parties and, therefore, third parties must also comply with the guidelines of the anti-corruption manual.

**The following applies to all employees:**

- You must not engage in any form of corruption.
- You must contribute to ensuring that third parties acting on behalf of Danfoss do not engage in corruption. If you enter into agreements with external partners, including local authorities, you must ensure compliance with the rules of Danfoss’ anti-corruption manual.
- You must not enter into any secret agreement with a public official, customer, supplier or third party prior to a decision concerning a purchase or sales order.
- You must refuse to receive any payments which do not correspond to the service that a business partner is obliged to deliver.
- You may not perform business transactions which include incentives to obtain personal gains or fraud of any character.
- If you receive an offer from a public or private business partner that resembles corruption in any form, you must immediately report it to your manager or the Ethics Hotline.
- If you are in doubt whether you are acting correctly, you should discuss the issue with your manager or contact AskUs.
The following also applies to managers:

- You must ensure that employees who have contact with business partners and local authorities know the rules outlined in the Danfoss Anti-Corruption Manual, and that relevant employees participate in the Anti-corruption Compliance Program.

**Money laundering and tax affairs**

Danfoss does not tolerate money laundering. Money laundering takes place when money acquired through illegal activities, including terrorism, is channeled through legal business activities.

The following applies to all employees:

- You must refuse cash payments or checks issued by an unknown third party.
- You must avoid transactions, which bypass registration or reporting requirements.
- You must avoid transactions, which involve countries or areas which have a reputation for money laundering or are known as tax havens (unless the business has its main activity in such a place).
- You must avoid making payments in countries where Danfoss has not received a service, unless there is a good reason to do so and we can be open about it.
- You must avoid deviations from norms such as insufficient, suspicious or false payment information.

**Facilitation payments**

Danfoss is against the use of facilitation payments. Facilitation payments are small symbolic amounts which are paid to lower ranking public officials to perform a routine task, to which you are entitled, and where non-payment would result in considerable delay or other inconvenience to the company or its employees.

Examples of facilitation payments are an extra payment to cross a border, to establish a telephone line, or to obtain a visa or other kinds of approval.

The following applies to all employees:

- You must always avoid paying facilitation money, unless non-payment would endanger your health or your personal safety – or all other options are depleted and the amount is insignificant.
- If you, as an exception, pay a facilitation fee, you must try to keep the payment to a minimum, and you must try to get a receipt.
- If you have paid a facilitation fee, you must ensure that the amount is recorded as a facilitation payment in Concur. The book-keeping requirement also applies if business partners have paid a facilitation fee on behalf of Danfoss. Reporting and transparency is required by law and is a vital element in the fight against facilitation payments.

**Extortion and protection money**

Danfoss does not pay criminals for protection against violence towards people or vandalism of property.

The following applies to all employees:

- If you are asked to pay protection money, you must report this to your manager or the Ethics Hotline.

The following also applies to managers:

- You must report all approaches about protection money to the Ethics Hotline.
Gifts in business relationships should generally be avoided or limited to the extent possible. However, in many countries, it is normal business practice and a sign of respect to exchange gifts. Customs vary widely between countries, and the line between what is considered appropriate and inappropriate can be very fine. Large gifts can be perceived as an attempt to obtain an undue advantage or to influence a decision.

We are confident that our employees will use common sense and judgment when they give or receive gifts or entertainment, and will never provide gifts with the purpose of obtaining a competitive advantage. In order to ensure transparency and to protect Danfoss employees from the suspicion of bribery, the value of all gifts must be reported.

The following applies to all employees:

- You must only give or receive gifts or business entertainment if this does not bind Danfoss or the recipient either morally or legally.
- You must not give or receive gifts with a value exceeding the equivalent of two hours’ wages (your gross salary). It is unacceptable to receive several gifts over a short period of time from the same giver or for such gifts to be given to the same recipient; whether small or large. Therefore, you must always inform your manager about the gifts you give or receive.
- You must not give or receive gifts in the form of money or loans from business partners. This also applies to members of your own family or the family of the business partner.
- You must not participate in or organize business entertainment without any business content or purpose.
and where your presence is not required. Entertainment must always be of a reasonable size and must not be extravagant.

- You must not inappropriately affect business-related decisions, for example by suggesting or paying for visit to prostitutes.
- You should be aware that gifts and entertainment for public officials are subject to special rules. Gifts and entertainment are only allowed to consist of a symbolic amount and must have a legitimate business purpose. All gifts and entertainment for public officials must be approved in advance and reported to the local GS Manager / General Manager.
- Furthermore, employees who have contact with business partners and local authorities must also comply with the rules set by Danfoss’ Anti-Corruption Manual. The manual is available on the intranet under Group Compliance.

**Donations**

Danfoss may support local organizations via donations and sponsorships as long as the local management agrees that they are relevant to Danfoss’ interests and they support Our Behavior. Donations or sponsorship may never confer any undue advantages upon Danfoss, meaning advantages which cannot be obtained honestly or legally, or can be perceived as bribery.

The following applies to all employees:

- You must ensure that recipients of sponsorship and donations do not end up in a conflict of interest, where reciprocity is expected.
- You must ensure that the recipient of a donation or sponsorship is not a current or potential business partner.
- You must ensure that the recipient of a donation or sponsorship is not connected to a public company or a
public official, with whom Danfoss would like to have a business relation.

- You must ensure that the recipient organization has a purpose and a reputation which is in line with Danfoss’ values and interests.
- You must ensure that the recipient has a real need for the donation or the sponsorship, and has submitted a written application.
- You must report agreements about donations and sponsorship to your manager.

**Fair competition**

Competition laws (US: Anti-trust laws) forbid all forms of written or oral agreements or concerted practices with competitors regarding prices, allocation of markets or customers, misuse of a dominant market position, or other situations where free competition is obstructed or limited. It is crucial for Danfoss that the rules are not violated. Violations can result in major fines, liability damages and loss of business, as well as lost reputation.

Our competition rules are explained in detail in the Danfoss Competition compliance manual, which particularly targets employees who have contact with business partners and industry associations. The manual is available on the Danfoss intranet under Group Compliance.

**The following applies to all employees:**

- You must only gather information about our competitors using lawful sources, and never from competitors.
- You must not unjustifiably receive, pass on or use confidential information which rightfully belongs to others.

**Product safety**

Product safety and product quality are key elements when it comes to creating trust in Danfoss and our products. It is, therefore, vital for Danfoss that our products do not have hazardous properties that might harm people, the environment or assets.

**The following applies to all employees:**

- You must contribute to ensuring that, at all times, the products meet both Danfoss’ specifications and the relevant laws concerning labeling, product safety and recycling.
- You must immediately contact your manager if you have reason to suspect errors in products or processes which may cause harm, or risk of harm, to people, the environment or assets.

- You must not exchange sensitive business information (such as prices, price development, discounts, etc.) with a competitor or a representative of a competitor.

**Information about competitors**

It is important for Danfoss to have information about competitors’ conditions, but the information must always be gathered in an ethical manner and in accordance with the laws and regulations, which protect personal and corporate intellectual rights.

The following applies to all employees:

- You must only gather information about our competitors using lawful sources, and never from competitors.
- You must not unjustifiably receive, pass on or use confidential information which rightfully belongs to others.
Danfoss and society

Communications and transparency
Openness and honesty about Danfoss’ activities are important to us and our stakeholders, i.e. employees, business partners, the press and the communities in which we operate. Therefore, we communicate our financial, social and environmental results in a true and transparent manner, and we present both our successes and our challenges.

The following applies to all employees:
- You must communicate openly and honestly, with respect for the people you communicate to and about.
- You must assist in ensuring that Danfoss has a good relationship with the local community.
- You must only make public statements about Danfoss’ overall strategy, financial situation or express company views on religious and political matters with the approval from your manager or Danfoss Media Relations.

The following also applies to managers:
- You must ensure that your employees adhere to local laws and to Danfoss’ guidelines.
- You must have an ongoing dialogue with relevant local stakeholders to ensure that Danfoss knows their needs and expectations.

Local engagement
In many countries, Danfoss is a prominent company in the local community and has major significance for the people who work and live there. It is, therefore, important that we “keep our house in order” and have a good relationship with the local community. We respect the rights of the local inhabitants and the local culture, and we are aware that marginalized and vulnerable groups may exist in some local communities.

The following applies to all managers:
- You must ensure that your employees adhere to local laws and to Danfoss’ guidelines.
- You must have an ongoing dialogue with relevant local stakeholders to ensure that Danfoss knows their needs and expectations.

Production
Economic growth based on social and environmentally responsible decisions is the road to creating long-term and sustainable results. Therefore, when Danfoss sets up or relocates sales and production activities, we make sure to do so in an environmentally and socially responsible way, with regard to the employees, the local communities and the local population that are affected by the changes.

The following applies to all managers:
- When relocating production areas, you must work to maintain the same standard regarding environmental and health and safety conditions.
- You must strive to retain qualified employees when relocating or restructuring, as well as in times of declining demand for our products.
Environmental considerations
Danfoss works proactively to prevent pollution and to produce our products with the least possible energy consumption and the least negative impact on the environment. We have made a commitment to continuously improve our environmental efforts, to promote environmental responsibility and to contribute to the development and diffusion of environmentally-friendly technologies.

The following applies to all employees:
- You must take the environment into consideration in your daily work tasks.
- You must follow the environmental instructions given to you.
- You must contribute to identifying causes of environmental incidents and participate in preventing recurrences.
- You must contribute to saving energy and other resources.

The following also applies to managers:
- You must be a role model in reducing the environmental impact, including the energy consumption.
- You must ensure that your employees have received training and comply with all environmental requirements.
- You must ensure that Danfoss' activities do not adversely affect the possibilities for diversified plant and animal life (bio diversity).

Security guards
To protect Danfoss’ employees and property, some Danfoss facilities have security guards employed on the premises. In those cases, the guards monitor the areas by either patrolling them or by using surveillance cameras. The guards must respect human rights and must not exert unnecessary use of force. This applies to both internal and external security guards.
The following applies to managers:

- You must ensure that security guards do not detain anybody on an unfounded basis, that they treat everyone equally, that they do not interfere with lawful gatherings, and that they do not use unnecessary force when performing body searches or examining belongings.
- You must ensure that a procedure is in place regarding the powers of the guards and that any violation or incident is reported to the local management.
- You must ensure that the security guards are instructed not to use unnecessary force.
- You must ensure that employees are informed about the surveillance cameras, and that the surveillance is used for the stated purpose only and in accordance with local laws.
Who to contact?

AskUs – questions regarding ethics and anti-corruption
http://askus.danfoss.net
E-mail: AskUs@danfoss.com Telephone: +45 7488 7777

Ethics Hotline – reporting on ethical misconduct
http://ethics.danfoss.com

IT ServiceDesk – IT issues
https://workplace.danfoss.net/organization/functions-a-i/danfoss-group-it/contact-it/
E-mail: 1234@danfoss.com Telephone: +45 7488 1234

Group Risk & Compliance – compliance programs and issues
https://workplace.danfoss.net/organization/functions-j-z/legal/group-risk-compliance/
E-mail: compliance@danfoss.com

Group Risk & Compliance – ethics and human rights

Media Relations – spokes persons, etc.
Email: mediarelations@danfoss.com Telephone: + 45 7020 4488