

# Sustainability related policies

March 2021

This document lists the policies and internal procedures referred to from the Sustainability Report including a high-level description of their content.

## **Business Conduct Policy**

The policy sets the direction and expectations for Danfoss' business conduct. It gives an overview of the different business aspects as well as links to the corresponding categories of Danfoss standards, where further rules are specified.

This policy applies to all companies and business units in the Danfoss Group and contains policies on the following topics:

- Environment, Health and Safety
- Quality
- Human Rights
- Ethics and Compliance
- People
- Sustainability
- Product Compliance
- Risk Management
- Information Security
- Communication and Reputation

## **Sustainability Policy (part of Danfoss Business Conduct Policy)**

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

### **This means that we:**

- Commit to comply with 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
- Commit to ensuring that all employees comply with local and international legislation

## Sustainability Program

Describes the strategic focus areas of the sustainability efforts. The program is approved by top management. The program serves as basis for setting targets for our sustainability work and measuring our results.



## Business and Products

### Danfoss Climate Strategy 2030

The focus of Danfoss Climate Strategy 2030 is Danfoss' own business processes, production and buildings, and the aim is to halve the energy intensity in Danfoss, and to double the energy productivity of Danfoss before 2030, all measured against the base year 2007.

The ambition is to make the entire operations of Danfoss CO<sub>2</sub> neutral no later than 2030 including transitioning all company cars below 3.5 tons to electric vehicles.

Danfoss signed in 2020 up for all three business initiatives from the

### Product Compliance Policy (part of Danfoss Business Conduct 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.

## Quality Policy (part of Danfoss Business Conduct 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.

## Danfoss Supplier Quality Manual

The Supplier Quality Manual sets the rules, standards, and requirements for Danfoss' Suppliers to meet Danfoss expectations and these are also applied when Danfoss screens new potential Suppliers.

Our suppliers must offer:

- Technological levels corresponding to the requirements of advanced and highly automated production
- Global presence and orientation to meet our logistics needs
- Innovative approach to products and production
- Strong logistic capabilities
- High-quality products
- Competitive pricing practices

## Danfoss' Negative List of chemicals and substances

Danfoss' Negative List bans or restricts the use of chemical substances in Danfoss' products and production processes. The list also applies to Danfoss' suppliers, contractors and tenants.

The Negative List is valid for the entire Danfoss Group.

This Negative List has been generated on the basis of the European Chemical legislation but the bans and restrictions are applicable worldwide. Only stricter local legislation overrules this list.

Suppliers and subcontractors to Danfoss are required to comply with the Negative List and shall on request be able to document the type and amount of any hazardous substances present in materials, subassemblies or components and used in processes.

## Danfoss position on REACH

The document describes how Danfoss supports the objective of REACH to further improve the European Union's chemicals regulatory system, including the aim to advance public health and safety as well as the protection of the environment.

Danfoss is not a manufacturer of chemicals and the company does not manufacture articles with in-tended release of substances. However, Danfoss will inform our customers in case of any use of substances exceeding the limit allowed on the REACH-candidate list.

Danfoss has set up a process to ensure REACH compliance. Responsibilities and appropriate resources have been assigned to enable the company to comply with the candidate list, Annex XIV and other REACH provisions in relation to our products.

## Danfoss position on RoHS

The document describes how Danfoss supports the objective of RoHS directive related to Danfoss' product portfolio and to align processes, tools and templates needed to collect and evaluate the needed documentation

This standard describes the documentation of compliance of Danfoss products to the European RoHS directive (2011/65/EU) and the availability of declarations of conformity.

## **Danfoss position on WEEE and Battery Directive**

The document describes how our processes ensure compliance with the EU WEEE directive on Waste from Electrical and Electronic Equipment as well as similar regulations in our markets.

## **Danfoss' conflict minerals statement**

The document describes how we exercise due diligence regarding the origin of tin, tantalum, tungsten or gold (3TG materials) in our supply chain. We encourage our suppliers to source 3TGs responsibly via smelters and refiners that have been verified as DRC conflict-free.

We are committed to helping our customers to trace these minerals to facilitate our customers' disclosure obligations within section 1502 of the Dodd-Frank Wall Street Reform and the Consumer Protection Act.

## **People and Community**

### **People Policy (part of Danfoss Business Conduct 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.

### **Global Recruitment**

This document defines Danfoss Global Recruitment, stipulating the fundamental principles for the global recruitment as well as the principles that surround the Global Recruitment Process including diversity requirements. Danfoss wants to follow the principle balancing "The right candidate to the right job and the right job to the right candidate at the right time – now and in the future".

This standard is also to ensure a cost-effective recruitment process where all candidates are treated professionally and equally.

### **Performance management**

This Standard defines Performance Management as part of the Talent Management strategy and in relationship to the Total Rewards strategy to ensure consistency across the Danfoss Group. Performance Management covers both the process of managing employees' objectives and also their competences according to the requirements of the TS/IATF 16949 Standard.

### **Environment, health and safety Policy (part of Danfoss Business Conduct 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 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 (part of Danfoss Business Conduct 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

## Safety at Danfoss

The purpose of this document is to secure a safe working environment where employees can work without being injured. The document provides uniform basic safety requirements for all Danfoss employees, visitors and all other people working at/for Danfoss.

### This document establishes the minimum requirements for:

- Personal Protective Equipment (PPE)
- Pedestrian Safety
- Visitor Safety
- Safety KPIs

## Ethics and Compliance Policy (part of Danfoss Business Conduct 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.

## Ethics and Compliance Policy (part of Danfoss Business Conduct 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:

- comply with the United Nations' "Guiding Principles on Business and Human Rights" as a signatory to the UN Global Compact
- monitor our impact on human rights and mitigate where relevant
- perform Human Rights due diligence including identification, assessment, mitigation and monitoring of risks
- include Human Rights aspects in our regular reporting.

## Ethics Handbook

This Ethics Handbook describes Danfoss' ethical guidelines. The handbook support employees in living up to company values and policies.

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 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.

### **Anti-Corruption Manual**

The purpose of the manual is to define and outline correct ethical behavior within anti-corruption. The manual forms part of the Danfoss Anti-Corruption Compliance Program.

The manual describes concepts and guidelines which outline how we must conduct ourselves to avoid contributing to corruption. By complying with the guidelines, the risk of employees and/or Danfoss, consciously or unconsciously, becoming a party to corruption is reduced.

The first section of the manual is aimed at all employees who interact with business partners.

The second part concerns how to minimize and, hopefully, steer clear of the risk that third parties (such as agents and distributors) acting on behalf of Danfoss will become involved in bribery and corruption.

### **Competition Compliance Manual**

Danfoss' Competition Compliance manual applies to all companies controlled or co-managed by the Danfoss Group, all companies that act in the name of or on behalf of the Danfoss Group and all employees of the companies mentioned above.

The Global Competition Compliance Manual builds on international law and the demands placed on Danfoss, as a responsible company. The manual aims at ensuring that management and employees have a broad and basic understanding of competition rules, and how all employees must comply with them in the company's daily business.

### **Export Control Compliance Manual**

The purpose of the Manual is to describe the internal rules at Danfoss that must be followed to ensure that export control regulation is followed. The Manual consists of rules concerning: product control, country embargoes and sanctioned business partners.

The Export Control Manual has been developed to ensure that all employees have a thorough understanding of the export control regulations, and that they know what is needed to comply with them in the daily work to ensure that Danfoss lives up to the requirements.

### **Data Privacy Handbook**

Danfoss has compiled the Data Privacy Handbook to enable all employees to process personal data correctly.

It is based on international law and is the basis for how the company process personal data. Because, just as Danfoss does business in an ethical and open manner, we also respect the right to privacy. This applies both in relation to our employees and external partners, and in relation to our processing of personal data.

The Data Privacy Handbook ensures clarity about Danfoss' rules for the processing of personal data and demonstrates that in this area too, we take pride in doing business in an ethically sound manner.

The Danfoss Data Privacy Handbook describes the rules for processing personal data at Danfoss. The rules are divided into topics under four main headings: *Danfoss and personal data*, *Danfoss and our employees*, *Danfoss and our external partners* and *Danfoss and the community*

This handbook is a work of reference, and the table of contents provides a quick overview of the topics covered. The rules apply to all employees and companies of the Danfoss Group, including subsidiaries and joint ventures, in which Danfoss has a dominant influence.