

Danfoss Code of Conduct for Suppliers

1 Introduction

Danfoss has a strong commitment to economic, environmental and socially sustainable development. As a result of this commitment, Danfoss has subscribed to the principles of the United Nations Global Compact (www.unglobalcompact.org). Danfoss expects all its businesses to comply with the UN principles in addition to the laws of the countries where its businesses are located.

As a global leader within its core businesses, Danfoss strongly believes that it is in the mutual interest of both Danfoss and its suppliers to meet the present and future requirements of markets and society. This includes demonstrating responsibility towards the people taking part in the manufacture and delivery of products and services.

In order to make its position clear to all suppliers, Danfoss has established the Danfoss Code of Conduct for Suppliers (the “Code”). The Code describes Danfoss’ corporate social responsibility requirements for suppliers. As a condition of doing business with Danfoss, we expect suppliers to comply with these requirements. It is Danfoss’ intention to maintain this Code in a spirit of constructive dialogue and in partnership with suppliers, for the mutual benefit of both parties.

In the Code, the term “Danfoss” refers to all Danfoss Group companies.

2 Danfoss’ general requirements of suppliers

2.1 Area of application

The Code applies to the supplier and all supplier Group companies (the “Supplier”). Supplier shall inform all supplier Group companies on their obligations in relation to the Code and supplier is responsible towards Danfoss for all supplier Group companies’ compliance with the Code.

2.2 General Responsibilities

Supplier shall take all necessary actions to ensure Supplier’s compliance with this Code, without undue delay. In addition to complying with the Code, Supplier shall comply with applicable local laws.

The Supplier is solely responsible for the costs of complying with the Code.

If Danfoss finds or suspects incidents of non-compliance with the Code related to Supplier and Danfoss informs supplier hereof, Danfoss expects the Supplier to investigate and correct issues of non-compliance 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 with Supplier. Any such termination of any business relationship between Danfoss Group companies and Supplier is considered a termination for cause and does not entitle Supplier to any kind of compensation.

If Supplier uses sub-suppliers for its supplies to Danfoss and/or acts as a distributor or wholesaler towards Danfoss, the Supplier shall use his best endeavours to ensure that its sub-suppliers comply with the Code.

2.3 Site Audit

Danfoss may conduct announced audits at the Supplier's sites, including the Supplier's manufacturing facilities in order to verify that the Supplier is in compliance with the Code ("CoC audit"). CoC audits may be performed either by Danfoss employees or by a third party auditor chosen by Danfoss.

In order to verify the Supplier's compliance with the Code, Supplier shall be prepared to provide Danfoss access to relevant and reasonably requested information and documentation, during an audit. All auditors carrying out CoC audits are bound to confidentiality by written agreements. All information and results obtained in connection with a CoC audits will be handled confidential by Danfoss and will only be shared with Supplier. Danfoss will only use such information for internal purposes.

3 Contact

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

4 Supplier behaviour

4.1 Child Labour

Danfoss respects the children's right to development and education. Therefore Danfoss does not accept the use of child labour as a part of the full-time work force at the Supplier. This includes employing children under the age of 15, children younger than the legal minimum age, or children younger than age of completing compulsory school.

Juvenile (children between the age of 15 and 18) are only allowed to be employed by Supplier, provided that the work complies with local laws and the ILO Minimum Age Convention.

In general, all children under the age of 18:

- must not be employed in hazardous work*
- must not work night shifts
- 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.

4.2 Discrimination

Danfoss respects cultural differences and does not do business with a Supplier if the Supplier practices discrimination at work based on race, religion, gender, age, nationality or sexual orien-

tation. Supplier's employees must not be exposed to any physical punishment, threats of violence or physical, sexual, psychological or verbal harassment or maltreatment in the work place or in work related situations.

4.3 Forced Labour

The Code does not permit forced or involuntary labour at the Supplier. 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.

Danfoss does not tolerate employment which confines the employee in unreasonable debt bondage, for example, through fee-charging employment agencies.

4.4 Working Environment

Danfoss supports the fundamental human right to have sound working conditions. Supplier must ensure a good and safe working environment which complies with all applicable rules and laws. As a minimum:

- Workers must not be exposed to dangerous work without being properly protected. Workers must be provided personal protection equipment and be instructed in its proper use.
- Facilities must comply with applicable laws and rules about construction safety as well as fire protection – and fire alarms.
- Facilities must provide appropriate light and ventilation
- All dangerous materials must be stored in safe places and used in safe and controlled ways.
- All machinery must be properly maintained and shielded.
- Facilities for meals, resting and sleeping, must, if provided, be kept clean and safe.

4.5 Working Hours and Salary

Danfoss recognises 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 is 48 hours per week plus maximum 12 hours overtime work. All workers shall be allowed to have at least one day off in a period of seven days unless the national law/rules provides otherwise

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 must never compromise minimum salary.

4.6 The Right to Organise 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 Supplier must recognise his employees' right to choose whether or not to associate with or establish any organisation including labour organisations. If trade un-

ions are not allowed in the area of operation, or only state authorised organisations are allowed, the Supplier shall facilitate alternative measures to allow employees to access management to discuss work related matters.

4.7 Right to privacy

Supplier shall respect his employees' right to privacy when it gathers or keeps personal information or implements employee-monitoring practices.

4.8 Environment

Environmental considerations are an integral part of Danfoss business practices. Supplier shall commit to reducing the environmental impact of its manufacturing process.

- **Pollution Prevention and Resource Reduction**

Supplier shall avoid pollution and actively strive to reduce material consumption.

- **Chemicals and Hazardous Materials**

Supplier shall ensure that chemicals and hazardous materials are handled, stored and disposed in an environmentally safe way,

- **Air Emissions**

Supplier shall ensure that air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required by law prior to discharge.

- **Wastewater and Solid Waste**

Supplier shall ensure that wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required by law prior to discharge or disposal.

- **Recycling and Reuse of Materials and Products**

Supplier shall contribute to the recycling and reuse of materials and products to the extent possible.

4.9 Corruption

Corruption and bribery are recognized as barriers to sustainable development and free trade. Danfoss does not accept these practices and therefore does not offer or accept any kind of undue payment in any of our business transactions. Supplier shall act accordingly.

5 Signature

I acknowledge that I have read and understand the Danfoss Code of Conduct for Suppliers and agree to comply with the requirements of the Code (fill in using block letters or company stamp):

Supplier's name: _____

Address: _____

Factory name: _____

Supplier

Signature: _____

Date: _____

Name: _____

Block letters