

#### 1 Purpose and field of application

This Standard establishing the Group's general Social Responsibility Policy supports the Danfoss Vision and the Danfoss Core Values. The Group's Environmental Policy and the Social Responsibility Policy constitute a comprehensive framework for social responsibility at Danfoss.

The Social Responsibility Policy applies throughout the Danfoss Group. The Policy should be implemented with consideration for local conditions and cultures in order to achieve optimum relevance and effect.

#### 2 Social Responsibility Policy

Danfoss aims to promote sustainable development of communities by considering the conditions which influence people's lives when making decisions and initiating activities within the scope of our business development. This applies to the Group's employees, the local communities in which we have companies, and to the people who are affected by the Group's activities.

*This means that we will:*

- Be an environmentally and socially responsible company that aims to contribute to improving quality of life.
- Work determinedly to continuously improve our activities in the social field.
- Ensure a good and safe working environment for our employees. The working environment activities should primarily be of a preventive nature.
- Strengthen our position as a preferred supplier, recognising that social responsibility contributes to creating a sustainable and profitable business.

#### 3 Ethical guidelines

Danfoss has issued an Ethical Handbook detailing how social responsibility shall be put into action including which guidelines to follow as Danfoss employee. All employees must comply with The Ethical Handbook.

#### 4 How we will work with social responsibility

By joining the UN's "Global Compact Initiative", the Danfoss Group has decided to be active within a number of fields that relate to social responsibility. The following six principles define how we aim – as a minimum - to fulfil our social responsibility.

- 4.1 We will support and respect internationally declared human rights within our spheres of influence and ensure that we are not accomplices to human rights abuses by:**
- Including human rights aspects in business decisions where considered relevant.
  - Building competencies in relation to human rights issues in relevant parts of the organisation.
  - Making use of country analyses when evaluating the human rights situation in the countries in which we have or plan to have production facilities.
  - Entering into a dialogue on human rights issues with the Danfoss Group's stakeholders, including non-governmental organisations and suppliers.
- 4.2 We will maintain the employees' rights to unionise and recognise the employees' rights to collective bargaining**
- In the countries in which the employees do not have a free choice of trade union for legislative reasons, or an established trade union system is not possible, the company will arrange for the employees to meet with the management in other ways to discuss work-related issues.
- 4.3 We aim to actively fight all kinds of forced labour by:**
- Ensuring that all employees have employment contracts or are subject to agreements that specify their terms of employment and terms of termination, showing the voluntary aspect of the employment.
- 4.4 We aim to actively fight child labour by:**
- Ensuring that children are only employed, if they are older than the age for completing compulsory school and if they are older than the local legal minimum age of work. This also applies to companies which supply goods to Danfoss.

Young people who are between 15 and 18-years-old can therefore be employed according to the following requirements:

- They must be older than the local legal minimum age of work
- They must be older than the age for completing compulsory school
- They must not deal with hazardous work
- They must not work during the night
- They should have more breaks than employees over the age of 18

In special circumstances, employment of children at the age of 14 is possible, if local conditions mean that by having a job, the child will have the best possible protection and development. However, the job should be a light and secure part-time employment and education should be provided at the same time. In case of employment, it should take place in close cooperation and dialogue with the child and his/her family as well as with approved international or national organisations that safeguard the interests of children.

**4.5 We will abolish discrimination in the workplace by:**

- Ensuring that non-objective discriminatory treatment does not occur with regard to employment, careers, further education, dismissals, etc.
- Being reluctant in the use of health tests. Only the most necessary tests required by legislation or by the employees should be carried out. Health tests shall not be used for discriminatory purposes.

**4.6 We will work against corruption, including extortion and bribery**

Corruption is one of the most substantial obstacles to free trade and is also the biggest threat to eliminating poverty in the world. Therefore, Danfoss will work against corruption and bribery.

- Participating in corruption or bribery is not compatible with being employed at Danfoss.
- All employees at Danfoss should be careful not to be party to situations where cooperation partners participate in corruption or bribery. If there is reason to suspect this is the case, the immediate manager should be told immediately.
- It is mandatory to report to one's immediate manager if gifts are being accepted or handed over exceeding a value of 100 USD. The local management can decide a different lower level for reporting, but if such a decision is made, it must subsequently be reported to CF-CSR.

**5 Definition**

Social responsibility is the consideration shown and initiatives taken by the Group to safeguard the human and social aspects of its activities.

**6 References**

The Global Compact Initiative published by the United Nations in 1999 and joined by Danfoss in 2002.

**Danfoss documents:**

(If no date is given, the latest issue applies)

The Danfoss Vision

The Danfoss Core Values

Danfoss Ethical Handbook

[500B1004](#) Working Environment Policy

[500B0574](#) Environmental Policy

**Changes** made compared to the 3<sup>rd</sup> issue (December 2005):

The Ethical Handbook is integrated in the Policy as the guiding document on how to practice social responsibility in Danfoss.

In section 4.5 the part about access to filing of complaints is removed. An Ethics whistleblower function enables the access to complaints about unethical behaviour.

In section 4.6 the Regional guideline 500B1066, covering handling of corruption and bribery, is made obsolete since these guidelines are included in the Ethical Handbook.