

Danfoss Code of Conduct for Suppliers and sub-contractors

Introduction

The Danfoss Vision and Core Values support a strong commitment to economic, environmental and socially sustainable development. As a result of this commitment, Danfoss has signed up to the principles of the United Nations' Global Compact (www.unglobalcompact.org).

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

In order to make our position clear to all suppliers, we have established the Danfoss Code of Conduct for Suppliers.

It is a non-negotiable requirement from our side that our suppliers with whom we have, or are considering negotiating agreements of cooperation, should comply with this code.

It is our intention to maintain this Code of Conduct for Suppliers in a spirit of constructive dialogue and in partnership with our suppliers, to our mutual benefit.

Danfoss' general demands of suppliers

General Responsibilities

It is the responsibility of the supplier to take all relevant and necessary initiatives and measures to ensure the highest possible degree of compliance with this code, without undue delay.

It is also the responsibility of the supplier to present Danfoss with all relevant and reasonably requested information and documentation without undue delay. This will enable Danfoss to monitor the supplier's compliance with this code through dialogue, questionnaires, systematic reporting or site audits. The supplier is solely responsible for the costs of complying with this code and for providing information and documentation that is reasonably requested by Danfoss.

If Danfoss believes that there are serious incidents of non-compliance with the Code of Conduct for Suppliers, Danfoss expects our Suppliers to correct these issues 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.

Subcontractors/Sub-suppliers

If our suppliers use subcontractors/sub-suppliers for supplying to the Danfoss Group, the supplier shall use his best endeavours to ensure that the subcontractor/sub-supplier complies with this Code of Conduct. If Danfoss has reasonable reasons for knowing the identity of any subcontractors/sub-suppliers, our suppliers shall upon request inform Danfoss which subcontractors/sub-suppliers they use.

Contact

For general questions or comments on the Danfoss Code of Conduct for suppliers, please contact your purchasing contact in the Danfoss Group.

The Danfoss Code of Conduct

Child Labour

Danfoss respects the children's right to development and education. Therefore we do not support child labour, meaning that we do not use children as a work force in production. This also applies to our suppliers. Child labour is defined as full-time work done by children that are either younger than 15 years of age or younger than the age of completing local compulsory school. However, the local legal minimum age for full-time employment must never be violated.

Child labour will only be tolerated, if it is not full time work and if education is provided at the same time.

Full time child labour in relation with education such as trainee employment can be accepted for shorter periods of time (International Labour Organisation C138, article 6).

In **special circumstances**, employment of minors is possible, but only when local conditions make it necessary to employ minors in order to **protect** the minor and ensure his or her rights and development and if the demands regarding part time work and education are met. In all of these cases, employment should take place in close cooperation and dialogue with the family of the minor, as well as with approved international or national agencies that safeguard the interests of minors.

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 in which it is carried out, is likely to harm the health, safety or moral of children.

International Labour Organisation R190 and C182

Discrimination

The Danfoss Group respects cultural differences and does not want to cooperate with suppliers who practice discrimination at work by race, religion, age, nationality, or sexual orientation. Our 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 work related situations.

Forced Labour

Forced or involuntary labour is not tolerated by Danfoss. This includes prison work, work on a forced contract, slavery and other forms of work, which are done against one's will or choice. There must be no deductions in salary as a consequence of fines or penalties imposed during the execution of disciplinary punishment, unless this is done with reference to a collective agreement or permitted by law.

The Danfoss Group does not accept employment through fee-charging employment agencies, or in any other way, which confine the employee in unreasonable debt bondage.

Working Environment

Danfoss supports the fundamental human right to have sound working conditions. All suppliers to the Danfoss Group must ensure a good 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*
- *facilities must comply with rules about construction safety as well as fire protection – and fire alarms*
- *facilities must ensure 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*
- *facilities for resting and sleeping, must, if used, be kept clean and safe.*

Working Hours and Salary

The Danfoss Group recognises the need for a sound balance between working time and leisure time for all employees. Unless the national law is different, the maximum working time is 48 hours per week plus maximum 12 hours overtime work. Except in extraordinary circumstances, all workers have the right to have at least one day off in a period of seven days. Salaries for overtime work shall be in accordance with the law.

The Right to Organise and Collective Bargaining

Danfoss respects the employees' right to organise and to collective bargaining. This means that also suppliers must recognise their employee's right to choose whether or not to associate with or establish any organisation including labour organisations.

If trade unions 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 gather independently to discuss work-related matters and a forum to present work-related concerns to management.

Environment

Suppliers shall as a minimum comply with national law and rules. Suppliers must also strive to reduce waste and emissions to air, ground and water, handle chemicals in an environmentally safe way, handle, store and dispose of hazardous waste in an environmentally safe manner, and contribute to the recycling and reuse of materials and products.

Corruption

Corruption and bribery are recognized as some of the barriers for sustainable development and a barrier to free trade. Danfoss does not accept these practices and therefore does not offer or accept any kind of undue payment. Danfoss expects suppliers to act the same way.