

February 21, 2018

# Danfoss Tax Policy

## **Purpose**

To support the overall company business strategy and to be a responsible tax payer.

## **Tax value and tax planning**

Tax costs are considered a business cost and should be considered in any business decision. Tax planning initiatives have focus on avoiding double taxation and creating a fair profit allocation according to the OECD principles.

## **Tax risks**

Danfoss is committed to building processes and controls generating a low risk environment. However, cross border activities imply a higher risk level, due to national tax systems not always being aligned and/or harmonized.

## **Compliance**

Danfoss is committed to high compliance standards ensuring high quality in data and processes in order to meet legal requirements.

## **Transparency**

Danfoss is committed to transparent and substance based business models. Danfoss focuses on an open and direct dialogue with the local tax authorities.

## **Legal and capital structure**

Danfoss focuses on simplicity, consolidation for tax purposes and efficient repatriation.

## **Competences**

Danfoss has established and will maintain an internal organization based on tax competences to support tax compliant processes globally. The Danfoss tax organization is supported by external advisors, when additional competences are needed.

## **Responsibility**

The Danfoss tax strategy is monitored by the Board of Directors and the Group Executive Team supported by Group Tax and internal governance structures.