

SUSTAINABILITY REPORT 2007



The Grundfos Group

BE > THINK > INNOVATE >

GRUNDFOS 



KEY FIGURES – CSR

	2007	2006	2005
Turnover in million DKK	16,814	15,376	13,422
Profit before tax	1,373	1,479	1,254
Profit after tax	860	923	807
R&D costs in million DKK	801	680	590
R&D costs as a percentage of net turnover	4.8%	4.4%	4.4%
Indexed electricity consumption	86	91	90
Indexed water consumption	112	99	119
Indexed chemical waste	74	54	62
Number of employees in the Grundfos Group	17,067	15,178	13,749
Number of employees in this report	13,951	11,678	7,098
Number of employees in the Grundfos Group – OECD	13,903	12,562	11,736
Number of employees in the Grundfos Group – non-OECD	3,164	2,616	2,013
Male managers	899	856	284
Female managers	185	177	48
Undesirable employee turnover, salaried employees	5.5%	5.8%	3.5%
Undesirable employee turnover, production workers	7.2%	5.9%	4.6%
Sickness-related absence, salaried employees	1.6%	1.6%	1.6%
Sickness-related absence, production workers	5.3%	4.6%	5.0%
Absence due to accidents per 1,000 working hours	2.2	2.0	1.6
Accidents per 1 million hours worked	16.0	15.0	15.8
Number of suggestions for improvements per employee	2.0	2.9	3.1
Number of suggestions for improvements implemented as a percentage of total number of suggestions	75.0%	72.7%	84.9%
Employee motivation and satisfaction in total*		73	
Employee loyalty		83	

*In 2006, the Grundfos Group introduced a new employee motivation survey. The scale is 0-100, with 100 as the most positive score. The survey is conducted every second year.

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PREFACE:

THE LEVEL OF AMBITION FOR RESPONSIBILITY HAS BEEN RAISED

Responsibility and sustainability will continue to be an essential part of Grundfos' business in the future. The Grundfos Group endeavours to show responsibility towards its customers, employees and society at large, and we aim to have an influence on the processes that the company is part of by focusing on financial, environmental and social responsibility.

The Group has joined the UN Global Compact, pledging to observe its principles. The Group has therefore also committed itself to the charter formulated by The Danish Council for Sustainable Business Development. The charter can be considered as an extension of Global Compact and, combined with the company's values, these two initiatives form the basis of Grundfos' CSR work (Corporate Social Responsibility).

Over the past year, Grundfos has been working on an Innovation Intent for 2025 – a vision for Grundfos' long-term innovation in which CSR plays a vital role. Sustainable solutions to a number of the major challenges we will face in the future, such as water supply and climate change, are not only problems that the company must address, but will also determine how Grundfos does business in the future.

With a desire to raise the level of ambition significantly where sustainability is concerned, it is naturally important that we get off to a good start here and now. Grundfos has been working with CSR for many years, but there is no getting away from the fact that the Group's elevated level of ambition means that, over the next few years, an even greater number of resources will have to be allocated and work in this area will have to be even more structured. And we are under no illusion that it is going to be an easy task to stick to our values at a time when the company is in a period of major growth and globalisation.

THE YEAR GONE BY

Not only was 2007 a year when the direction that the future Grundfos will take was established, it was also a year marked by globalisation and growth.

The Group has generated a number of important results. On the financial side, we have exceeded budgeted sales and have achieved a result at the level expected. Environmentally, Grundfos has launched a number of products of which three are worth a special mention: the energy-saving circulator pump ALPHA2, the Grundfos Solar PM pump that is a circulator pump for solar thermal heating systems, and the energy-optimised EFF1 motors.

As far as the Group's internal environmental work is concerned, we are pleased to note that two of our companies, Grundfos in Denmark and Grundfos in California, have received recognition for their work within waste handling and sorting. Finally, a new service offering the energy servicing of pumps and pump systems has been launched by several of the Group's sales companies.

On a social level, we are particularly proud to confirm that several of the company's globalisation activities achieved their objectives over the past year. Activities in this area are many-sided, but the establishment of training academy satellites in various places around the world, to support our globalisation strategies and successful relocation of production lines from England, Hungary and Denmark, stands out as an area in which the Group has benefitted tremendously from the cooperation of its employees in the process.

Finally, an Ethics Committee was established, whose job it is to support Grundfos' wish to run an ethically responsible business that lives up to our basic values, and to ensure that information about the principles set out in the Group's Code of Conduct is passed on.

We must, however, admit that there have been areas in which things have not gone as well as we would have liked. These areas require a higher level of attention and greater resources will have to be allocated if the results are to be improved – there are three such areas: water consumption, electricity consumption and the number of work accidents, and, over the next few years, we will do our utmost to bring about improvements.

SIGHTS SET ON 2025 – GRUNDFOS' INNOVATION INTENT

Grundfos must become an even more considerate and green company. This goes for the way we run our business and for the products we offer to our customers. We shall be making a considerable effort to reduce Grundfos' own CO₂ emissions and helping our customers to reduce theirs. At the same time, the Group will contribute to increased comfort in a growing world and help to provide clean water in a world where it is a precious resource.

Based on our customers' needs, we must make technological quantum leaps. Our products should not only move water from one place to another. Grundfos must use its technological expertise to develop the products that we offer our customers and thus expand our business.

The world's population is growing, and so is the wealth of some of the world's biggest nations. Growing wealth means growing consumption and an increasing desire for comfort, and Grundfos wishes to be present in the world's growth centres in order to offer our sustainable solutions to these markets. We wish to play an active role in the race to take control of global climate challenges, and, in all aspects of our business, we aim for sustainability as another way of strengthening our competitiveness.

Niels Due Jensen
Group Chairman

Carsten Bjerg
Group President and CEO

Bjerringbro, 20 May 2008



MANAGEMENT REPORT



FIGURE 1: CASH FLOW INTO THE COMMUNITY

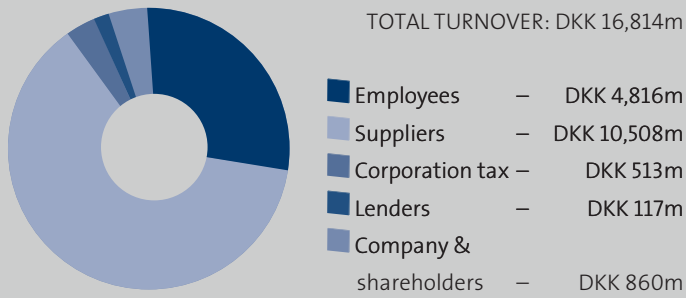
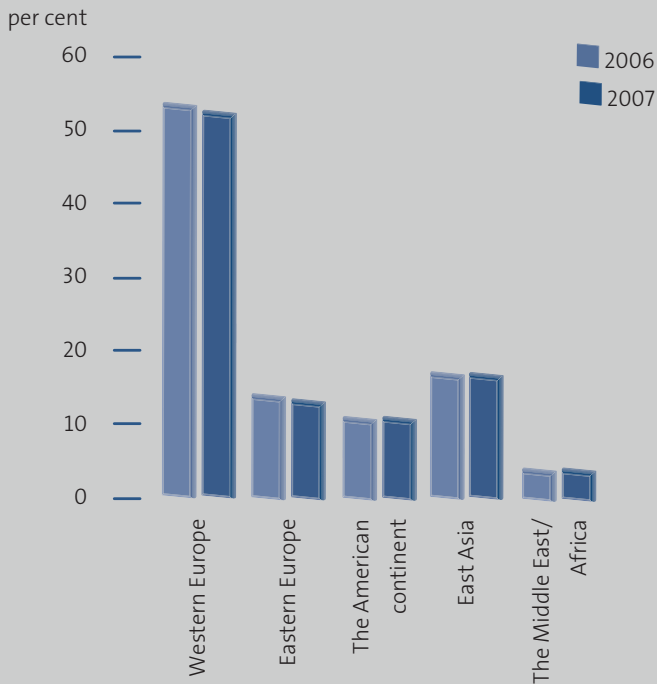


FIGURE 2: TURNOVER GROWTH DIVIDED BY REGION



FINANCIAL IMPACT

Grundfos is aware of its duty to assume responsibility for the financial impact it has on the local communities of the 45 countries where our companies are based. We have an impact on society in the form of providing jobs for the local population, the payment of direct and indirect taxes to the state and through purchases from, and investment in, local suppliers and contractors.

The global need to obtain clean water and dispose of wastewater is growing year by year. The same applies to the energy-efficient circulation of water for the heating or cooling of buildings, and the need to move liquids in industrial plants. As investment is made in water infrastructures, the building and renovation of housing stock and the expansion of industry, the demand for pumps and pump systems is growing year by year, and the societal growth experienced in many countries in 2007 has had a positive impact on Group sales.

Traditionally, the Grundfos Group has been most strongly represented in Western Europe where its largest customer base has been. This picture has, however, been changing over the past few years, and the markets of Eastern Europe and Asia in particular are currently growing at a rapid rate. Over the next few years, the Group will endeavour to maintain and expand its position in the traditionally large markets, but expects growth to be greater outside Western Europe. It would therefore be reasonable to expect that a greater share of both growth and turnover will come from non-OECD countries.

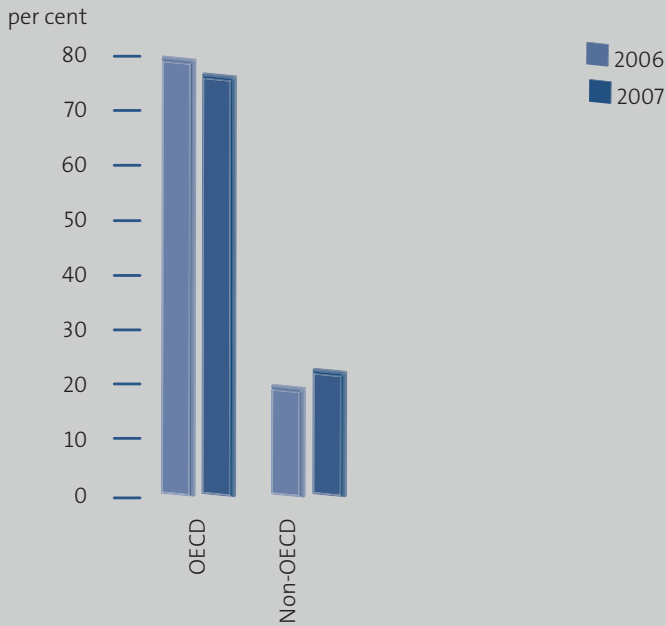
A SOLID FOUNDATION

With a growth in turnover in 2007 of some 9 per cent to DKK 16.8 billion, Grundfos has emerged a stronger company at the end of the year. Some of the overall cash flow from the company to the community is illustrated in figure 1, Cash flow, on this page (see also table 2 p. 42). See also the Grundfos Group's key figures in table 1, Profit and loss account, p. 42. The figure shows the company's total sales in 2007, DKK 16,814m, and its division between the main groups of stakeholders. It shows that suppliers received 62 per cent, while employees received 29 per cent. Five per cent remained after the payment of tax and interest, which was used for future investments, savings and shareholders.

A solid financial foundation and reinvestment of the majority of the company profit in Grundfos' continued growth are prerequisites for ensuring the continued financially sustainable development of the company. Grundfos has used 4.8 per cent of the turnover, which corresponds to DKK 801m, on the development of new products in 2007, its largest investment ever in this area. See table 3, R&D costs, p. 42.



FIGURE 3: TURNOVER GROWTH, OECD/NON-OECD



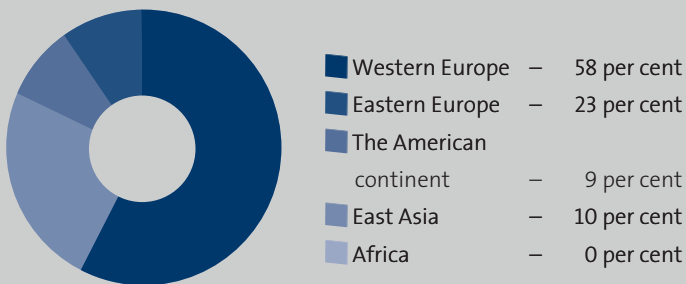
Grundfos is primarily owned by the Poul Due Jensen Foundation, the purpose of which is to expand and develop the company. See overview of Ownership and Corporate Structure on the last page of the report. This form of ownership allows us to exercise a certain level of patience when investing in long-term projects or other business areas.

NEW MARKETS SHOWED THE GREATEST GROWTH

The general sales performance in 2007 was slightly above the expected level, with growth in all geographical markets. See figure 2, Turnover divided by region, on previous page (see also table 4 p. 42).

Just under 1 per cent of the growth in turnover derives from acquired companies, including the American company PACO Pumps Ltd., which was taken over in the first half of 2006, and the two smaller companies Wåge Industri AB in Sweden and Watermill Products Ltd. in England. Grundfos' most recent acquisition, the American pump company Peerless, taken over at the end of 2007, will not have any impact on the annual accounts until 2008.

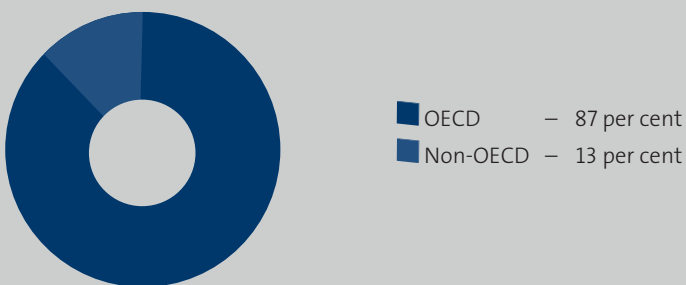
FIGURE 4: TANGIBLE CAPITAL INVESTMENTS IN 2007



The Group's sales growth is broadly based with two-digit percentage increases in several sales regions such as East Asia, Eastern Europe and the Middle East, while the mature markets in Western Europe and the US produced more modest increases of 7 per cent and 5 per cent respectively. See figure 2, Turnover divided by region, on previous page (see also table 4 p. 42).

Within individual regions, there are countries with both higher and lower growth rates than those listed on a regional level. In Germany, the Group's largest individual market, a mere 3 per cent growth was achieved in 2007. Strategic growth markets such as India, China and Russia, on the other hand, grew by 46 per cent, 40 per cent and 27 per cent respectively, and Russia is now the Group's second largest market.

**FIGURE 5: TANGIBLE CAPITAL INVESTMENTS IN 2007
OECD/NON-OECD**



The company is currently undergoing rapid expansion outside the traditionally large markets of Western Europe. An indicator of this growth can be seen in the division of turnover between OECD countries and non-OECD countries. The OECD countries' share of the total turnover amounted to 77 per cent in 2007, compared to 80 per cent in 2006. This change in distribution can be explained by the fact that, in 2007, the growth in turnover within OECD amounted to 6 per cent, while the growth outside OECD amounted to 24 per cent. See figure 3, Turnover growth, OECD/non-OECD countries, on this page (see also table 4 p. 42).

The trend over the past few years has been for the growth economies mentioned earlier, such as India, China and Russia to be the primary driving forces. The increasing share of turnover from non-OECD countries is expected to continue over the coming years, as the majority of Grundfos' growth markets fall within this group, while the OECD countries are primarily made up of the mature pump markets in Europe.

There was a small increase in local purchases in 2007, as 13 per cent of the company's direct purchases were made in non-OECD countries, while 87 per cent were made in OECD countries. See table 5, Direct purchases, p. 43.

INVESTMENTS ROSE BY 30 PER CENT

The Group's tangible capital investments, i.e. investments in buildings and production facilities, were at a record high in 2007 at DKK 1,459m, an increase of 30 per cent compared to 2006. See figure 4, Tangible capital investments in 2007, on previous page (see also table 6 p. 43). The majority of the investments have been made in the necessary expansion of capacity due to increased sales and the establishment of new production lines for newly developed products.

As a region, Western Europe still accounts for the majority of the capital investments made, but Eastern Europe's share is on the increase, primarily due to the continued expansion of the production company in Hungary. As both Hungary and Mexico, where the newest production factory has been built, are OECD countries, an extremely large share of the Group's capital investments were made in OECD countries in 2007. See figure 5, Tangible capital investments in 2007, OECD/non-OECD, on previous page (see also table 6 p. 43).

DONATIONS AND SOCIAL WORK

Grundfos contributes to society as a whole by donating money or products for various purposes and by taking an active and social role in the local community. A large share of the donations go to charity, sports or cultural projects. In addition, we occasionally donate products and offer our expertise if a country or region has problems with flooding, etc. or needs help in the field of water supply.

Most of the donations are given decentrally by the Group's local companies.

One such example was a collaboration between Grundfos' British manufacturing company and Portland School, which works with young people with severe physical disabilities and learning difficulties. With its donation of GBP 20,000, Grund-

fos has supported the school in its successful attempt to be recognised as a "specialist school". It prompted the payment of a government grant totalling GBP 340,000 over the next four years, and has thus made a significant contribution to safeguarding the school's future activities.

The grant has enabled Portland School to employ two communication officers and invest in a wide range of communication aids. - Grundfos employees are paired up with pupils from the school for a certain period of time in order to give the pupils job experience. But first, the Grundfos employees' skills and understanding of the pupils are developed in close cooperation with employees from the school.

THE POUL DUE JENSEN FOUNDATION 2007

The Poul Due Jensen Foundation is the primary owner of the Grundfos Group and its main objective is to ensure the healthy and financially sound development of Grundfos. Another important objective is to make donations to a number of charities and educational or scientifically oriented projects every year, and in 2007, the foundation donated over DKK 21m.

One of the largest donations was DKK 10m to the Mary Foundation, Danish Crown Princess Mary's foundation. The objective of the Mary Foundation is to improve the lives of children, adults and families who, as the result of their environment, heredity, illness or other circumstances, find themselves socially isolated or excluded.

The following list shows the donations made by the Poul Due Jensen Foundation in 2007, in DKK 1,000.

- Mary Foundation: 10,000
- Naturvidenskabernes Hus (House of Natural Science): 5,000
- CEPOS, integration project: 1,875
- The Grundfos Prize: 1,000
- Brogården, Strib, Denmark, department for families with handicapped family members: 1,000
- YMCA, Scout Academy: 1,000
- Autism Denmark: 500
- Experimentarium: 250
- Det økologiske Inspirationshus (Ecological Inspiration House), "Ecology for children": 250
- University of Aarhus, contribution for measuring equipment: 150
- The Denmark-America Foundation, grant for study trip: 100
- BROEN, Horsens, Denmark, relief work for vulnerable children: 100
- The Danish Design Council, award: 150
- Book publication, Ulla Habermann: 85

ENVIRONMENTAL IMPACT

A dramatic increase in population, rising consumption and a shortage of resources – not least energy and water – are some of the challenges the world faces. Grundfos will do its utmost to help meet these challenges through its activities and products.

The Group's environmental work will ensure focus on minimising the strain on the environment in all major areas. It is based on our signing of the Global Compact and on our policies, and is directed at the way the various companies within the Group are run, at the different processes involved in the manufacturing of our products, and at the products themselves as well as their applications.

Our method is certified environmental management according to the international standard ISO 14001 that applies to the product development process and all production companies, which are required to obtain environmental certification within a deadline of three years from their establishment.

In 2007, the companies worked on local environmental improvements within the following focus areas:

- Reduction of indexed electricity consumption by 19 per cent compared to 2000.
- Reduction of indexed water consumption by 28 per cent compared to 2000.
- Reduction of indexed chemical waste by 55 per cent compared to 2000.
- 80 per cent of all new products developed must have an energy consumption that is at least 5 per cent lower than the previous model, or other reference product if its functionality and life cycle resemble the product in question.
- 80 per cent of all new products developed must have a material consumption that is at least 3 per cent lower than the previous model, or other reference product if its functionality and life cycle resemble the product in question.
- Increase lead-free production by 60 per cent compared to 2005.

ENVIRONMENTAL STRATEGY WILL BE IN PLACE IN 2008

Grundfos' Group Environment Function, established in 2007, is today responsible for coordinating the Group's global environmental activities. One of the most important activities in 2007 was the development of a more ambitious and forward-looking environmental strategy that harmonises with Grundfos' Innovation Intent.

Once the Intent has been finalised in 2008, the development of the future environment strategy will be in place during 2008.

Guidelines will be issued as to how Grundfos can become an even more environmentally-aware company, with high standards when it comes to setting its own house in order, and an ability to develop products and technologies that meet the increasing demands of customers and contribute to solving the global environmental challenges the world faces.

We will also try to influence the requirements set by the authorities in areas such as energy efficiency and the saving of resources, and we will help our customers to choose the most environmentally-friendly solutions.

NETWORKING STRENGTHENED

One of the methods used to ensure that Grundfos achieves a higher global standard in its environmental work is to expand the internal environment network across the Group. The objective is to improve the sharing of knowledge between the companies, and to ensure that the best ideas are always passed on in order to have a positive impact on the Group's environmental results.

Networking and the sharing of knowledge were therefore among the main topics addressed at the Group's annual environmental conference in 2007, which was attended by the sales companies for the first time. The aim was for the sales organisations to become far more involved in the environmental work and to receive an update on the Group's attitude towards responsibility as far as the environment is concerned – in its products and its own production.

One of the most specific initiatives to come out of this first workshop was the development of a catalogue of ideas as to how individual companies can focus on environmental improvements. Examples of best practice within areas such as the reduction of water and energy consumption have now been compiled on a shared platform that all network members have access to.

SALES COMPANIES NOW INCLUDED IN REPORTING

The main impact that Grundfos' production facilities have on the environment involves energy and water consumption, the use of ancillary materials in production and chemical waste and wastewater from the processes.

All production and sales companies within the Group have been asked to report on these focus areas for 2007. The sales companies were not, however, subject to the Group objectives in 2007, and, as it is only the second time that the sales compa-

nies have compiled environmental data, we have to acknowledge that it is something of a learning process, with potential for continued improvements.

It has not been possible for all sales companies and new production companies to report on all focus areas, but the reporting covers the Group's overall environmental results for water and electricity consumption.

There is a general increase in the absolute consumption in the areas mentioned above. See table 7, Water consumption, p. 44 and table 8, Electricity consumption, p. 44. This is due, in part, to the fact that the consumption of the sales companies has not previously been included in the reporting, and that, in 2007, they were not subject to the Group's environmental objectives. They will be from 2008 as far as energy and water consumption are concerned. In the following sections, it will, however become apparent that the indexed figures for water and energy show a reduction, as an increase in production is taken into account.

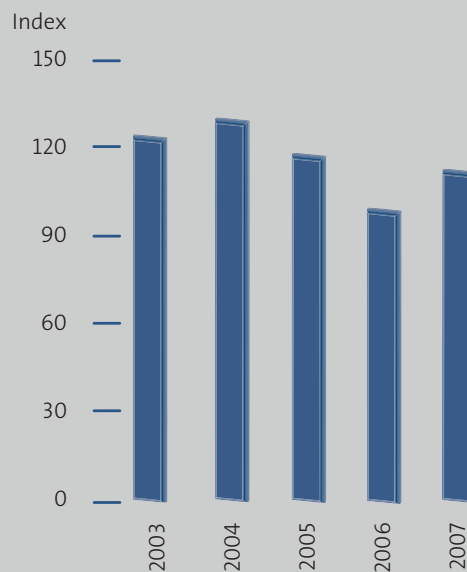
In addition to Group objectives, our production companies also set individual objectives that they are responsible for following up on themselves via their environmental management systems. In addition to electricity and water consumption, in 2007 they also focused on minimising their use of hazardous chemicals and the production of chemical waste.

Six Group audits and nine external audits of the environmental management systems of our production companies were performed in 2007. These audits did not reveal any major deviations that could put our certifications at risk. We consider this satisfactory and as a confirmation that internal audits help to ensure a high standard.

When establishing Grundfos' new production plant in Mexico in 2007, the environmental management aspect was made a significant parameter from the project phase. The introduction was made as part of a collaboration between the Group's environmental department, Grundfos A/S' Environmental Department, and the people in charge of environmental issues and production in Mexico. We do not, therefore, foresee any problems with the Mexican factory obtaining certification according to ISO 14001 within the three-year deadline for new Grundfos companies.

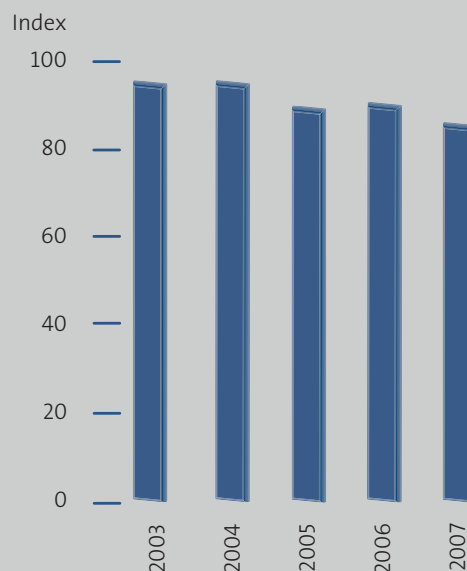
The sales companies are not required to obtain environmental certification, but several of them are, nevertheless, considering

FIGURE 6: WATER CONSUMPTION



■ Index 100 is water consumption in year 2000

FIGURE 7: ELECTRICITY CONSUMPTION



■ Index 100 is electricity consumption in year 2000

this option and, today, the Danish, British and Indian sales companies are environmentally certified according to ISO 14001.

The British company Watermill, acquired by Grundfos in 2006, is a good example of the fact that there is focus on environmental management in the Group's sales companies. When it was taken over, Watermill was a company with no environmental policy or environmental management to speak of, but, by the end of 2007, it had become a company that fully meets Grundfos' requirements for good environmental management, with an awareness about reducing its environmental impact. Today, Watermill employees suggest ways of reducing the strain on the environment, and several of them are so motivated that they take their newly acquired knowledge home with them to achieve reductions in their private consumption of water and electricity.

REDUCTION IN WATER CONSUMPTION LOWER THAN EXPECTED

In 2007, the Group's production companies as a whole achieved a reduction in indexed water consumption of 22 per cent compared to 2000 – 6 per cent less than the Group objective of a 28 per cent reduction. (See also table 7 p. 44).

The fact that the reduction in water consumption was lower than expected is due, among other things, to reduced focus as a result of an increased level of activity. Further to this unsatisfactory result, action plans are to be implemented to ensure that the 2008 objective is met – a reduction of 30 per cent in indexed water consumption compared to 2000.

In future, the Group objective for water consumption will also include the sales companies, which were included in the calculations for the first time in 2007. It turns out that they account for approx. 30 per cent of the Group's water consumption. See table 7, Water consumption, p. 44.

REDUCTION IN ELECTRICITY CONSUMPTION HIGHER THAN EXPECTED

The Group as a whole achieved a reduction of 22 per cent in indexed electricity consumption at the production companies compared to 2000. (See also table 8 p. 44). That is 3 per cent higher than the 19 per cent objective. The reductions have been achieved through efforts such as focus on low energy lighting at the companies in France and Germany, increased use of energy management at several companies, and help from an external energy consultant at the Polish company. The result

is considered satisfactory, and the 2008 objective is to reduce the indexed electricity consumption by 25 per cent compared to 2000.

The electricity consumption of the sales companies was not measured back in 2000, and is not, therefore, included in the calculations for indexed reductions.

In this report, the Grundfos Group's energy consumption is presented as actual consumption in MWh, see table 8, Electricity consumption, p. 44. The energy consumption has not been converted to CO₂, as we believe that the Group's CO₂ contribution should be carefully mapped on the basis of a considered demarcation point of view, with the help of key figures. By the end of 2008, we expect to have a complete overview of our CO₂ emissions and an idea of the measures that would be most appropriate to implement in order to be in a position to reduce them.

CHEMICAL CONSUMPTION TO BE MEASURED USING A NEW METHOD

The primary focus on the chemicals that are the most damaging to the environment and health continued in 2007 with a Group objective that entailed a reduction in the number of so-called "red" chemicals to 117 in 2007 from 128 in 2005.

The method used to assess chemicals that are damaging to the environment and health is under revision in order to adapt to the changes in legislation in the EU REACH Regulation and Global Harmonized System, GHS. This may involve reclassification, which would make comparison with previous years difficult.

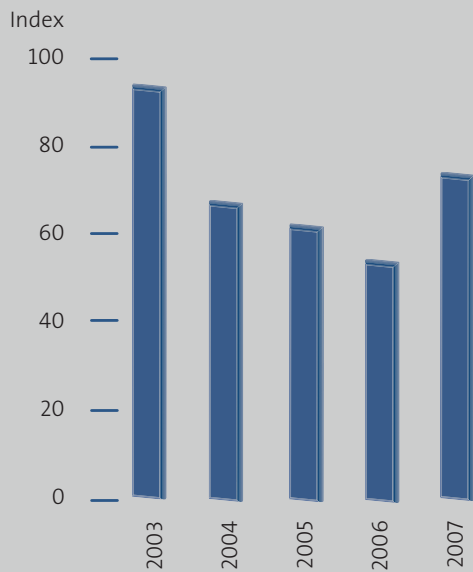
The future method came up for debate in 2007, and an internal project group has been appointed to analyse the implications of REACH for our use of chemicals in the future. We expect to be able to report on developments in 2008.

REDUCTION IN CHEMICAL WASTE LOWER THAN EXPECTED

As part of the Group's aim to use as few substances that are harmful to the environment as possible in production, the quantity of chemical waste has been singled out as an important focus area for our production companies. This mainly applies to hazardous waste, but the rules vary in the countries where we have our production companies. An attempt has, however, been made to make the figures as comparable as possible.



FIGURE 8: CHEMICAL WASTE



■ Index 100 is chemical consumption in year 2000

In 2007, Grundfos did not meet the Group's objective of a 55 per cent reduction in the indexed amount of chemical waste compared to 2000. We only achieved a reduction of 26 per cent, which we do not consider satisfactory. See figure 8, Chemical waste (see also table 11 p. 45).

There are several reasons for this negative development, e.g. an unusually high quantity of chemical waste was produced in connection with the renovation of production areas and the commissioning of the new enamelling plant. At the Danish production company, the cause is something of a paradox. The improved purification of wastewater has given rise to another problem; the wastewater sludge, a residual product from this process that is considered chemical waste.

The increases have been particularly high at the Chinese, Finnish, German and Danish production companies. They are all looking into ways of making improvements, so that we can achieve our Group objective for 2008 – a reduction of 60 per cent compared to 2000.

CO₂ MEASUREMENT OF TRANSPORT ON ITS WAY

Grundfos generally considers transport to be a major CO₂ contributor and therefore feels very strongly that transportation must be optimised.

The transport companies that we deal with are selected in accordance with the Group's general purchasing policies, and Grundfos attempts to obtain as much environmental awareness as possible for our money. In our efforts to reduce CO₂ emissions, one of the greatest challenges we will face over the next few years is to find transport solutions that are beneficial to both our customers and the environment, seen from a global perspective.

In 2007, an analysis was carried out on some transport routes, and when new supplier contracts are drafted, specific requirements will be stipulated about reducing the strain on the environment of that means of transport and establishing measurements of the CO₂ load.

THE LEVEL OF ENVIRONMENTAL WORK MAINTAINED

All Grundfos production companies that are ISO 14001 environmentally certified have retained their certification in 2007 and thus contribute to ensuring the continued development within the Group's environmental and working environmental work. See table 10, Certifications – status 2007, p. 45.

No new environmental certifications according to the international ISO 14001 standard were planned for 2007, as our new production companies in Russia and Mexico have not yet existed for three years. The environmental certification of these companies is planned for 2009 and 2011 respectively. Certification of the production company in Italy has also been set for 2011.

ENVIRONMENTAL OBJECTIVES FOR NEW PRODUCTS ACHIEVED

Grundfos' 2007 objectives regarding the development of new products were aimed at achieving a minimum 5 per cent energy optimisation and a 3 per cent reduction in materials compared to reference products.

As part of Grundfos' Energy project, a new ALPHA2 circulator pump was developed in 2007, which, according to an environmental assessment, fully meets the objectives for product development. It is one of the most energy-efficient circulator pumps in the world, and with its Auto Adapt technology, energy consumption is reduced by 78 per cent during use, compared to its reference product.

The pump is also smaller than the reference product, and a saving of 29 per cent has been made in the consumption of the scarce resource, copper. At the same time, we were able to achieve a recycling percentage of over 90 per cent.

Grundfos Solar PM is yet another energy-efficient circulator pump, developed in 2007, for the circulation of liquid in solar thermal heating systems. In contrast to the ALPHA Pro, the pump is not self-regulating, but is regulated by an external signal. Solar PM's power consumption has been reduced by up to 35 per cent compared to the reference product within the duty range characterised by solar thermal heating systems.

Despite the fact that none of Grundfos' products are subject to the RoHS Directive, it is the Group's objective that, from 2009, all our products will operate in accordance with this Directive, which prohibits the use of lead, mercury, cadmium, hexavalent chrome, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE). In 2007, an analysis was carried out on all new products to document that they meet the requirements of the RoHS Directive.

When the RoHS Directive was first adopted on 1 July 2006, Grundfos took the initiative to phase out the use of lead in the production of pumps and motors. With these initiatives,

Grundfos exceeds what is required by law, for the good of the environment.

GRUNDFOS STEPS IN TO COMBAT SCARCITY OF WATER

As with the scarcity of energy, water is also a scarce resource and is motivation for Grundfos to develop products and sustainable solutions. One such product is Grundfos' RMQ rainwater management system for the collection and reuse of rainwater. The rainwater management system, which meets ISO EN1717 specifications requiring the complete segregation of clean drinking water from rainwater, makes it possible to use rainwater for purposes such as flushing toilets and household laundry.

So far, Grundfos RMQ has only been marketed by some Grundfos companies, as the rules governing the use of rainwater vary from market to market. Whilst prohibited in some places, in others such as Belgium, it is an actual legal requirement to use rainwater, and in markets such as Austria, the UK, France, North America, Australia and Germany, there is an increasing trend to reuse rainwater where possible.

We expect an even stronger focus on this area in the future, and, as a more global player, we are considering influencing the regional and national legislation in this area. At this present time, we have activities underway in both Belgium and Australia, where we are playing an active role in the formation of the local standards and legislation on rainwater harvesting.

MORE SUSTAINABLE SOLUTIONS UNDERWAY

A number of other new products are under commercialisation at Grundfos New Business, which, with groundbreaking technologies, will develop new business areas in a sustainable perspective to enable Grundfos to actively contribute to the solution of a number of global issues:

- With Grundfos NoNOx, Grundfos is contributing to a reduction in air pollution from heavy diesel vehicles.
- Grundfos BioBooster effectively cleans industrial wastewater at source instead of at a central purification plant.
- A solar powered water treatment unit will make access to drinking water easier in the poorest regions of the world.
- Grundfos Microrefinery will generate valuable energy in the form of diesel from the sludge that is a waste product from the purification of wastewater in Grundfos BioBooster.
- Grundfos-owned Infarm has a solution to the enormous problems involving liquid manure generated by animal production.

FIGURE 9: GLOBAL INCREASE IN ANNUAL ELECTRICITY SAVINGS kWh/YEAR

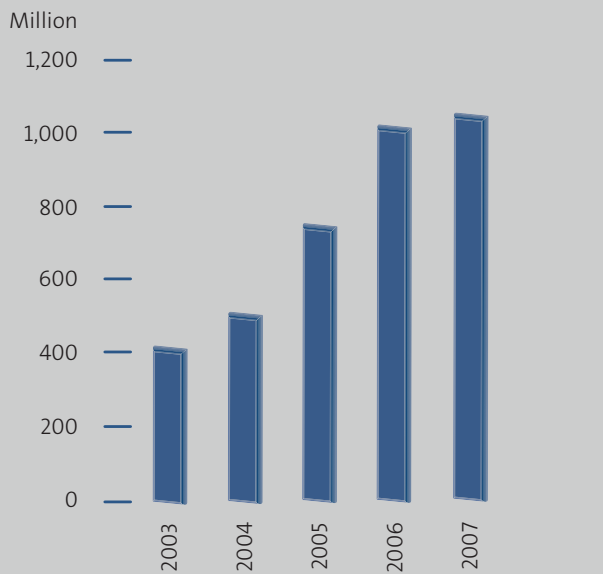
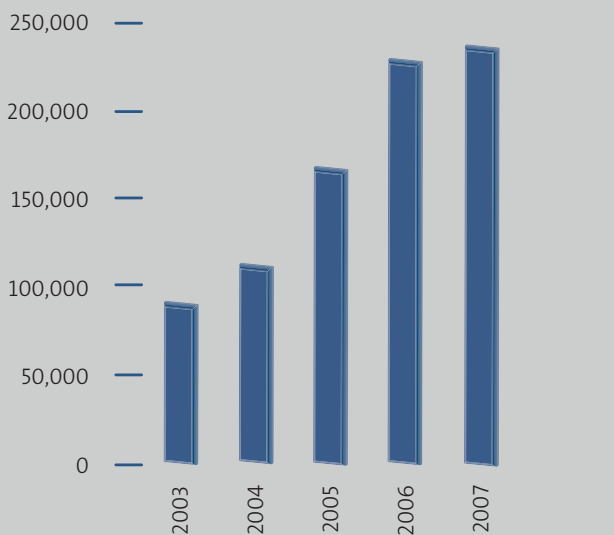


FIGURE 10: GLOBAL INCREASE IN ANNUAL ELECTRICITY SAVINGS kWh/YEAR

The number of households' annual electricity consumption



In the coming years, Grundfos will increase its focus on meeting the future global challenges in the form of growth of the world population and affluence and the threat posed by climate changes. In Grundfos' recently launched Innovation Intent, the agenda is set for Grundfos' development over the next 15-20 years.

As a visionary company, Grundfos will really make a difference by employing its numerous competences to develop trendsetting, high-tech solutions that are also environmentally sustainable, to place in the parts of the world where there is most need for them.

LOW ENERGY CONSUMPTION GIVEN HIGH PRIORITY

The energy consumption of pumps accounts for a substantial amount of the world's electricity consumption, and, as we know from previously conducted life cycle analysis, that the energy consumption during use from our pumps accounts for approx. 90 per cent of the impact of the pump on the environment, Grundfos is working determinedly towards energy optimising the products through its constant focus on the development of new technologies.

The results achieved have helped to earn Grundfos its reputation as a company that gives high priority to the development of low energy products. The voluntary energy labelling scheme for circulator pumps in the categories A to G according to energy consumption on the European market is also one of the earlier examples of Grundfos seeking political influence on future legislation and provisions.

Electrical motors used in applications throughout the world account for approx. 40 per cent of the world's total electricity consumption. Naturally, if energy consumption is to be reduced, prudent use of the end products is important, but the energy consumption of electrical motors must also be optimised and regulated. Back in 2006, China adopted a law stipulating energy consumption requirements for standard motors, which will probably mean that only especially energy-efficient EFF1 standard motors may be sold from 2011.

With its low-energy standard motors, which are classified as EFF1 motors, Grundfos is prepared for the future regulations governing products that consume energy. The sale of EFF1 motors has increased by approx. 14 per cent from 2006, and now

constitutes 92 per cent of Grundfos' own produced motors with power ratings in the only classification for motors to date.

There has also been focus in 2007 on E-solutions – i.e. speed-regulating pump solutions with motors controlled by frequency converters, as they have the greatest potential for energy savings. Grundfos will therefore be focusing further on this product area in 2008.

Figures 9 and 10 show the global energy savings as a result of all of Grundfos' energy-efficient pumps, sold in the year concerned – the accumulated energy savings through the products' lifetime are considerably larger. The assessment is based on the actual sales figures of each year and assumptions as to which earlier models of pumps they replace.

DISPOSAL PREPARED FOR DURING PRODUCT DEVELOPMENT

Grundfos has no actual objective with regard to disposal, but whenever a new product is developed, disposal guidelines for the product are produced. The results of these show that between 85 and 99 per cent of the products can be recycled as raw materials in the Group's own pump and motor production or in another product entirely. This type of recycling is, however, limited – i.e. in the remelting of aluminium.

Recycling is an element that we will attempt to optimise in a method development project that will systematise the construction process. The project is expected to reach completion in 2008, and the aim is to increase the value of pumps that have reached the end of their service life, and to avoid the generation of unnecessary waste in the form of copper, stainless steel, aluminium and other scarce materials included in our products.

Although it is not a legal requirement, we give our customers the opportunity to return products that have reached the end of their service life to Grundfos, informing them of this option in the manuals that accompany the pumps.

In 2007, the Danish production company initiated a recycling project in the flex department for employees whose capacity for work is reduced due to social or health problems. The recycling project involves the collection of discarded pumps by selected wholesalers, who send them to Grundfos, where they are dismantled, sorted and recycled in Grundfos' own production or forwarded as scrap for remelting.



SOCIAL IMPACT

As an international Group with production and sales all over the world, Grundfos has an influence on the everyday lives of many people, both the Group's own employees throughout the world and the many millions of people who benefit from Grundfos pumps.

As growth and globalisation increased in Eastern Europe, Asia and Central America in 2007, so, too, did the social impact and the significance of the way we do business.

Grundfos focuses on regional production and local establishment and aims to show respect for local values, cultures and social conditions. This is not something that can be done by forcing Danish culture upon all companies and the world around them, but by allowing optimal space for their own culture, and by observing both international and national laws at all times. Specific Group objectives regarding the way we work with the impact we have on society at large have, therefore, only been defined to a limited extent. This applies to responsibility towards employees, ethics, social involvement and product liability.

In 2007, special focus was placed on areas such as:

- Recruitment and retention
- Improvement of working environment
- Strengthening of the social responsibility towards the most vulnerable in the community
- The spreading of Grundfos' Code of Conduct
- Development of our supplier management
- Strengthening of the customers' prerequisites for a sustainable choice of pumps

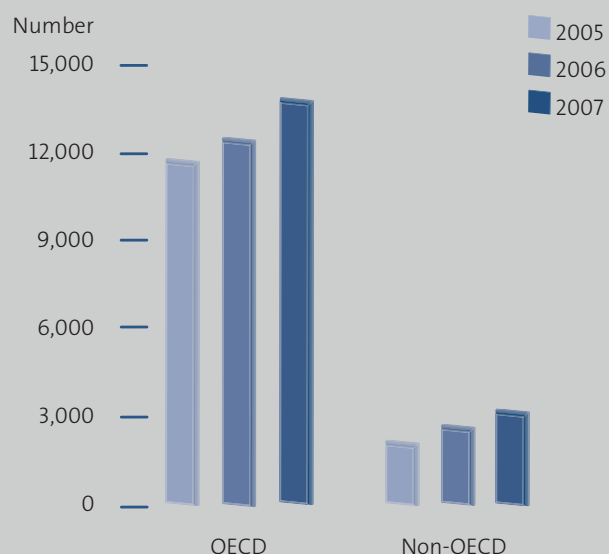
A major cross-departmental objective for 2007 was also to integrate Global Compact into the way we do business – in relation to employees, customers, suppliers and business partners.

EMPLOYEES COME FIRST

At Grundfos, we focus on the individual. This is apparent in the specific measures carried out by individual companies within the Group in areas such as working environment, employee development and diversity. We give priority to the companies setting their own objectives for their staff activities.

While the production companies have a long tradition of gathering data on personnel-related issues, it is only the second year for the sales companies. It is the responsibility of the local or regional HR managers to assess whether the measurements should give rise to corrective actions.

FIGURE 11: EMPLOYEES IN THE GRUNDFOS GROUP, OECD/NON-OECD



THE NUMBER OF EMPLOYEES UNDER EXTENSIVE GROWTH

2007 has seen substantial growth within the Group. This is reflected in the fact that the total number of employees in the Grundfos Group rose by just under 2,000 employees from a total of 15,178 in 2006 to 17,067 in 2007, corresponding to 16,457 full-time positions. In 2007, 13,951 employees were employed in the Grundfos companies included in the Sustainability Report. See table 12, Employees, p. 46.

Grundfos' presence in the growth markets is increasing – especially in China and Russia. As a result, the Group's contribution to social development outside OECD is also increasing, in the form of new workplaces. In 2007, the number of employees in non-OECD countries amounted to 18.5 per cent. See figure 11, Employees in the Grundfos Group, on previous page (see also table 12 p. 46).

Undesired personnel turnover in 2007 amounted to 5.5 per cent for salaried employees and 7.2 per cent for production workers - a small increase compared to 2006. Seen as a whole, the personnel turnover at Group level remained at a stable and satisfactory level. See table 12, Employees, p. 46.

GRUNDFOS PRODUCES A SCENARIO LOGBOOK FOR RELOCATION

Since 2000, the Grundfos Group has moved a considerable share of its Danish and British production to Hungary, Germany and Mexico. Experience shows that the transfer of production often generates a feeling of insecurity among employees with regard to their future job prospects. When this happens, the employees are able to express their concerns, and any problems that arise during the transfer process are sorted out.

The experiences gained from the first Danish relocations were written down in a scenario logbook that is now used as a standard point of reference during all so-called relocation projects. We have found that, by using a tried-and-tested model, we are able to reduce the feeling of uncertainty and insecurity among employees.

We prioritise:

- Being upfront, open and honest when conveying information to employees about the relocation process
- Providing managers with helpful advice about the responsible handling of employee retention

In 2007, the logbook was used in connection with the relocation of production from Denmark and England to the factories in Hungary, Mexico and Germany, and the transfer from the factories in Hungary to Mexico, where Grundfos set up a new production company in 2007.

RECRUITMENT – A MAJOR CHALLENGE

There is more to Grundfos than pumps alone – and we, therefore, require a diversity of competences. For the majority of companies, there has therefore been focus in 2007 on activities within communication about Grundfos as a workplace. We are also building partnerships with universities in the countries we work in, and we are becoming increasingly interested in talent development and management development as a way of continuing to give present and future employees the best opportunities for development.

Recruitment has been a major challenge in 2007. In Asia and Eastern Europe, where production facilities are either being built or extended, Grundfos recruited an extensive number of employees in 2007. At the Chinese production company, 155 new employees were recruited – 20 of whom were employed in the company's development department.

This success was due in part to the strategic focus on widening knowledge about Grundfos as a workplace and because there are still good recruitment opportunities in China. Following a trainee programme started by the Chinese production company in 2005, all the engineers who participated were employed at the end of the training programme in 2007.

At the Western European companies, recruitment is an increasing challenge. Partly because the recruitment foundation is reduced due to the small youth year groups, and partly as a result of the tough competition for the competences in demand. In Denmark, this factor is further reinforced due to high economic growth and record low unemployment.

In 2008, the strategic recruitment initiatives will be continued and expanded – through moves such as the start of an Employer Branding initiative, which will communicate Grundfos' basic values as an important recruitment parameter.

SATISFACTION AND MOTIVATION AT A HIGH LEVEL

Part of Grundfos' vision is that its employees should have a demonstrably high level of satisfaction, as the jobs and employment terms provide opportunities for professional and

personal development, in a good working environment, where consideration is given to the aspirations and qualifications of individuals. Satisfaction surveys are therefore carried out on a regular basis.

As mentioned in the 2006 Sustainability Report, a new analysis was carried out for the first time in 2007 that, in addition to satisfaction, focuses on motivation and commitment. The main result of the motivation analysis 2007 shows a high level of satisfaction, motivation and loyalty. The total score for satisfaction and motivation is index 73, which is a very high level compared to the companies with which Grundfos compares itself. The result lived up to expectations, and the individual companies are now working on specific areas for improvement. See table 13, European Employee Index EEI Benchmark, p. 47.

Grundfos also has a long tradition of using annual development interviews, used by 93 per cent of the companies today, and we are working on bringing that figure up to 100 per cent over the next few years. These tools are used to ensure that all our employees can have their say, and are involved in their own development and that of the company, and that the company's overall objectives relate to the specific objectives for individual employees. See table 14, Employee's Development Dialogue, p. 47.

Grundfos remains keen to receive employees' ideas about initiatives that may help to make the company better. While the total number of suggestions for improvements was lower in 2007, the number of suggestions received and implemented regarding the environment has grown considerably. See table 15, Suggestions for improvement, p. 47.

ABSENCE DUE TO SICKNESS MUST BE REDUCED

As far as Grundfos is concerned, part of being a responsible company involves having a safe and healthy working environment.

Developments in recent years relating to health and safety mean that more and more companies are being certified according to OHSAS 18001, a standard for work environment management. OHSAS 18001 is voluntary, and, today, 7 out of 14 production companies are certified, while a further two are expected to follow suit during 2009. See table 10, Certifications – status 2007, p. 45.

Despite high employee satisfaction, there was an increase in absence due to sickness for production workers in 2007. For

FIGURE 12: ABSENCE DUE TO SICKNESS

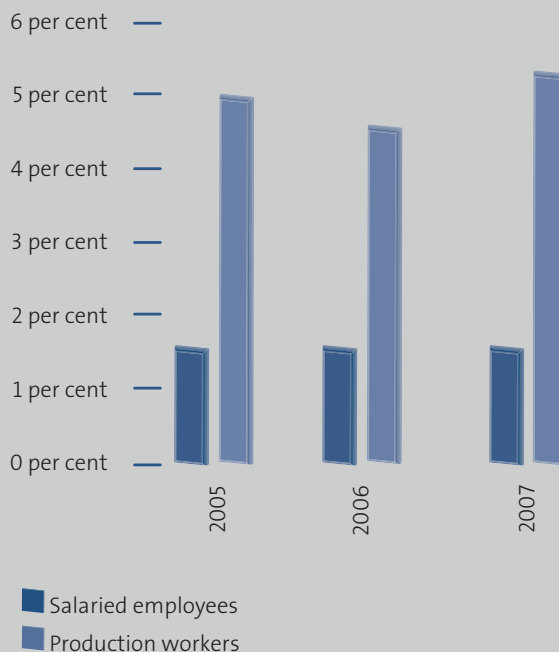
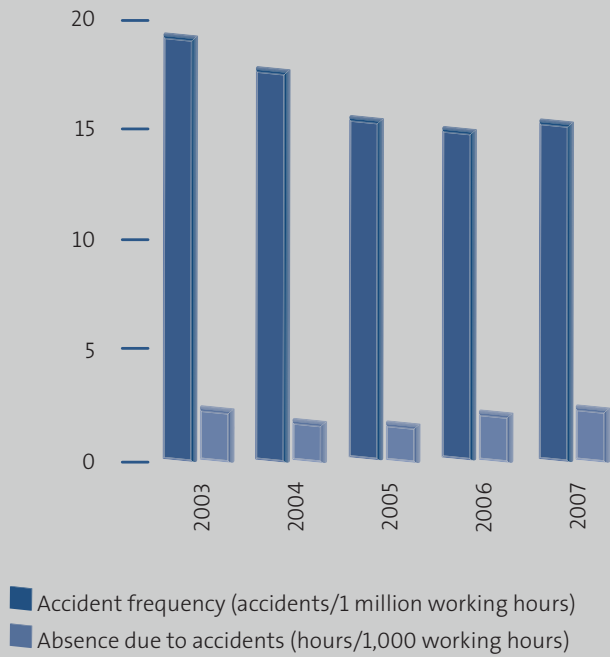


FIGURE 13: ACCIDENTS

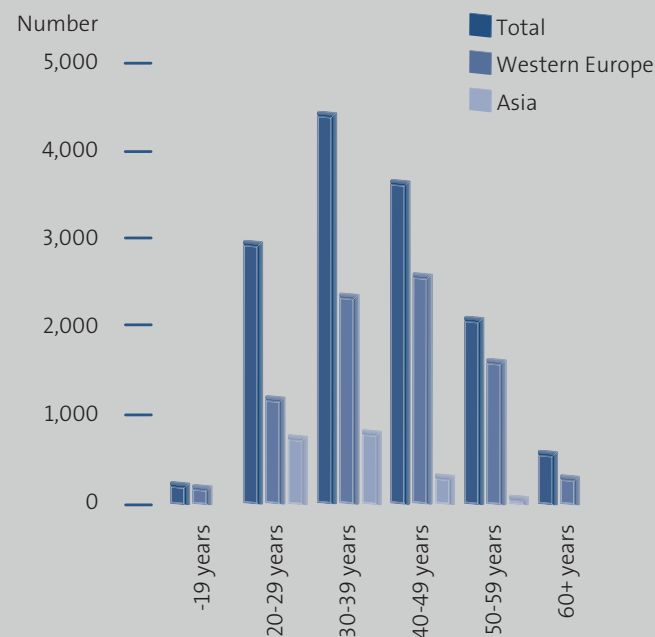


production workers, absence due to sickness amounted to 5.3 per cent and for salaried employees the figure was 1.6 per cent. See figure 12, Absence due to sickness, on previous page (see also table 16 p. 48). For Grundfos, this is not satisfactory, and action plans are being prepared in the companies where absence due to sickness is rising, so that individual employees can be helped to the greatest possible extent.

In Denmark, absence due to sickness for production workers in 2007 amounted to 6.1 per cent, the highest it has been for several years. Although absence due to sickness is lower than at the companies Grundfos compares itself to, specific actions are being implemented. Systematic interviews with employees when they return following absence have been introduced and there is increasing focus on the balance between work and leisure time, the offer of receiving individually tailored training programmes, healthier food in canteens and stop smoking courses.

As a supplement to the interviews, employees on long-term sick leave at the Hungarian company are given a health check carried out by the company's doctor. And at the German production company, work is underway to introduce round table discussions involving the HR department, the immediate manager and the union representative.

FIGURE 14: AGE DISTRIBUTION BY GEOGRAPHIC REGION



One of the reasons for the high absence due to sickness may be work accidents. At the production companies, there has unfortunately been an increase from 15.0 accidents per 1 million working hours in 2006 to 16.0 in 2007. See figure 13, Accidents, on this page (see also table 17 p. 48). To reduce the number of work accidents, efforts have been initiated by the Group in the following areas:

- Visibility and information at all levels of the organisation
- Campaigns focused on safety – both during and outside working hours
- Follow-up on accidents with corrective actions to avoid reoccurrence
- Focus on alternative job options
- Increased registration and follow-up of the lead up to accidents
- Systematic safety checks
- Focus on clearing up

The individual companies prepare specific action plans to meet the overall objective. Having introduced a targeted zero-

accident-strategy, the German production company achieved a reduction in the number of work accidents in 2007, and the absence due to sickness has reduced accordingly by 15 per cent compared to 2006.

WE AIM TO PROMOTE EMPLOYEE DEVELOPMENT

It is Grundfos' aim to ensure the personal and professional development of its employees.

The Poul Due Jensen Academy in Denmark is Grundfos' international training academy, which develops and implements training concepts relevant to the Grundfos Group's strategies and need for the development of skills. It should, however, be pointed out that a major part of the training activities are still managed and carried out locally, aimed at the specific needs of the local company.

With 1,247 employees participating in training courses at the academy, the high number of participants from 2006 has been maintained. Due to the high demand, we are working determinedly on expanding our activities with satellite academies around the world, which also supports globalisation. In 2007, a satellite academy opened in India, and in 2008, we expect to open one in Germany and one in the US. There are already satellite academies in Russia and China. See table 18, Training, p. 48.

Group objectives for the total number of course hours per employee have not been defined, but a major part of the employee development interview is to determine individual training and development plans. This ensures that employees have a level of competence that matches the Group's development objectives and the employees' development aspirations.

During 2008, the academy will develop a range of courses designed to develop the skills necessary to fulfil Grundfos' Innovation Intent.

Grundfos also focused on talent development in 2007, and all companies have been working on a local level to identify development initiatives that can contribute to recruitment, development and retention. The following initiatives have been underway at the Group:

- The Management Trainee Programme (MTP), aimed at developing managers. There are currently 26 participants on the courses, a team from 2006 and a team from 2007. 31

participants have so far taken the course, and, of these, 50 per cent and 60 per cent have been appointed as managers. This is not, however, satisfactory, and Grundfos is working on reevaluating the concept.

- The rotating trainee programme, aimed at newly qualified engineers and economists - a two-year programme during which the participants work in several different departments, thereby gaining a broad knowledge. Over the past three years, 100 per cent of rotating candidates have been retained on completion of the course, which is extremely satisfactory.

WE STRIVE FOR DIVERSITY

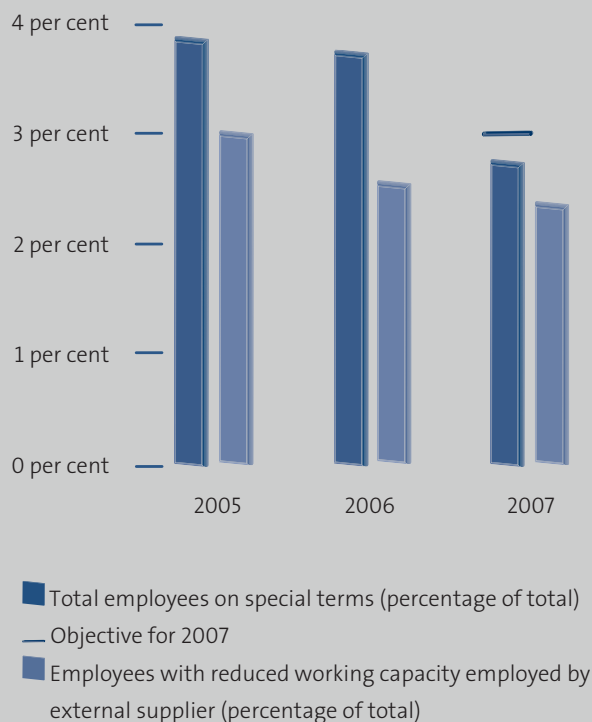
Grundfos is of the firm belief that diversity within the staff makes for the best workplace. Where relevant, we strive for an age distribution that reflects the society at large. We also aim for a more or less equal gender distribution and the employment of employees on special terms is encouraged – i.e. employees with physical, psychological and social problems.

A mix of new and experienced employees is an important factor in Grundfos' success. The current picture of the employees' age distribution is satisfactory and generally reflects the society at large, which is something that we feel is important. The circumstances vary from country to country. In Western Europe, senior employees are in the majority, while in Asia, there is a considerably higher percentage of younger employees. See figure 14, Age distribution by geographical region, on previous page (see also table 12 p. 46).

To ensure diversity, various activities have been implemented over the past few years, such as increased contact with educational institutions and open house events aimed at young people. In Denmark, there is special focus on extending awareness about training opportunities for apprentices, including stationing during the apprenticeship. With 453 apprentices and trainees in 2007, compared to 411 in 2006, Grundfos has managed to maintain the number of apprentices and trainees at a satisfactory level, in spite of the general demographic development. See table 12, Employees, p. 46.

Grundfos also focuses on its senior policy, and via a revision of the content, in future, greater weight will be placed on the offer of flexible employment options for more senior employees through a change in job content, reduced hours or other flexible schemes.

FIGURE 15: EMPLOYEES ON SPECIAL TERMS



A balanced gender distribution is important to the Group. Male employees have generally always outnumbered female employees at Grundfos, which is typical of this male-dominated industry. This is still the case as the figures from 2007 show that the number of female employees amounted to 33.9 per cent in 2006 and 33.2 per cent in 2007. See table 12, Employees, p. 46.

Compared to last year, the gender distribution among employees remains largely unchanged, see table 12, Employees, p. 46.

At Grundfos A/S in Denmark, specific objectives have been defined for the number of female managers, and the 2007 target of 14 per cent was achieved. The targets for 2008 and 2009 are 16 per cent and 18 per cent respectively. Several initiatives have been implemented to achieve these targets, such as internal and external theme meetings for women who are seeking a career in management. Grundfos has also participated in a working group under the Danish Ministry of Equal Opportunities and, in connection with this, has signed a national "Charter for women in management".

One functional area in the Grundfos Group that breaks with the norm for gender distribution among managers, are the positions of financial managers. The percentage of female financial managers within the Group stood at no less than 46 per cent in 2007. It is notable that this figure is even higher in Asia, at 62 per cent. It should be pointed out that the result has not arisen as a consequence of legislation or a quota scheme, but is due solely to a general principle of always employing the most competent applicant, regardless of sex, ethnicity or age. In Asia, we can ascertain, that the relative number of competent female applicants far exceeds what we are seeing in the rest of the world.

WE WISH TO BENEFIT THE SOCIETY AT LARGE

The Grundfos Group not only has an internal responsibility towards its own employees, but also externally towards the people and the communities where we do business. We want our presence to have a utility value for the communities we are part of.

All Grundfos companies assume social responsibility for minority groups in the community, by creating job opportunities for them at the company and by working together with external business partners and suppliers.

Within this area, there is a general Group objective that 3 per cent of employees should be employed on special terms. This objective was not quite achieved in 2007, as the total percentage amounted to 2.8 per cent. On top of this is the 1.1 per cent of employees with reduced working capacity who are employed by an external business partner who undertakes assignments for Grundfos. See figure 15, Employees on special terms, on previous page (see also table 19 p. 48).

The main reason that the objective was not reached is that several of the newest companies in the Grundfos Group are not yet geared up to assume integration responsibility for minority groups. The Grundfos Group will nevertheless continue to work determinedly on this with a view to achieving the 3 per cent.

With the integration of socially vulnerable groups as an objective, many different local activities have been initiated. A long tradition for contributing to a more tolerant labour market has, for example, meant that Grundfos in Denmark has developed special apprenticeships for young people who have been unable to start directly on a vocational training course due to a lack of skills. An induction course has also been established for offenders and an integration programme has been developed for immigrants and refugees, aimed at helping them to gain a foothold in the labour market.

Grundfos is also keen to do its bit to help find common solutions to other challenges currently faced by the labour market. The Group's South African production company has also contributed to meeting the country's major shortage of technical skills by establishing training programmes for its own and external sales people. Of the 20 students who have completed the two training courses, six have subsequently been employed by our own company or by local distributors.

WE WISH TO HAVE INFLUENCE

Grundfos wishes to assume responsibility as an active dialogue partner in the social debate.

The Group has, therefore, actively contributed and had a contributory influence on the political agenda in 2007 with the aim of promoting sustainable development.

In 2007, Grundfos became a member of The World Business Council for Sustainable Development. This membership will enable Grundfos to participate in a network of the world's largest and most influential multinational companies who

enter into dialogue and partnerships with governments, the UN and NGOs with the aim of finding joint solutions to global challenges within the environment and to combat poverty.

Grundfos counts among the sponsors of Copenhagen Climate Council, a confederation of business leaders and researchers from all over the world. Copenhagen Climate Council wishes to influence the political life prior to the UN Climate Change Conference in Copenhagen in 2009 and thereby develop a realistic and effective global climate treaty. Grundfos is actively working on this.

Under the auspices of the EU, Grundfos actively participated in the European pump manufacturers' trade organisation, Europump's "Joint Working Group (JWG)" to influence the future legislation and policy regarding products that consume energy. JWG is in the process of defining concrete maximum standards for a product's energy consumption, and Grundfos is also continuing its work on having standards defined for the energy consumption of motor products. We consider the coming EU legislation, which is expected to come into force in 2009-10, and our knowledge regarding the future Chinese legislation, as yet another inducement to further energy optimise our pumps.

Grundfos plays an active role in the Danish network, The Danish Council for Sustainable Business. The council has contributed to the Government's initiative on the preparation of Denmark's first national CSR action plan. The objective is to develop a coherent and long-term policy for sustainable social development that includes all aspects of Global Compact, and increases market incentives for sustainable solutions. The action plan is to be launched in 2008.

WE WISH TO BEHAVE IN AN ETHICALLY RESPONSIBLE MANNER

No matter where Grundfos is in the world, we do our utmost to act in accordance with our values. The Group's values and policies also form the framework for our commitment to support and respect the protection of internationally adopted human rights.

Grundfos' Code of Conduct is one of the main cornerstones of the Group's work with business ethics. The document contains a number of provisions regarding general housekeeping, compliance with competition legislation, the fight against corruption, the receiving of gifts and conflicts of interest. It sets

out who in the organisation bears the responsibility for compliance with the above.

In 2007, all general managers, business unit directors, members of Grundfos' Group management and other selected staff directors within the entire Grundfos Group signed a joint copy of the Group's Code of Conduct for the second time. The document was then mass produced and now hangs in prominent places at all Grundfos companies.

Each person who has signed the poster has subsequently had their local management groups sign a paper version of the Code of Conduct, and the document has finally been accepted as a supplement to all new director contracts.

At the beginning of 2007, Grundfos set up an Ethics Committee, the primary task of which is to function as a so-called whistle blower function to assure employees throughout the Group confidentiality and anonymity, thus allowing them to inform the Group of behaviour that is in breach of the Code of Conduct without fear of recrimination. Approaches to the Ethics Committee are made via a special email address that is separate from Grundfos' general IT system, and employees who use it are assured protection against discretionary dismissal.

The Committee thus supports the Group's wish to run an honest and respectable business that lives up to our basic values and to disseminate information about the principles contained in the Group's Code of Conduct.

In 2007, the Ethics Committee received a total of 11 inquiries, and although the numbers were limited, we find it positive that it is being used. Eight inquiries concerned advisory services in relation to, e.g. gifts to customers in connection with anniversaries and customer travel. Of the remaining inquiries, one fell outside the Ethics Committee's field of responsibility, while two other complaints were relevant. These complaints were looked into and found to be groundless.

OUR SUPPLIERS MUST BE RESPONSIBLE

Grundfos strives to ensure social responsibility throughout the entire supply chain and aims to work with suppliers who give quality, the environment, ethics, flexibility and reliability of supply high priority.

Grundfos prioritises making its purchases from local suppliers to support the local community that we are a part of. In 2007,

a third of our purchases were made from local suppliers. See table 5, Direct purchases, p. 43.

Grundfos' expectations of its suppliers have been set out in a written framework agreement, which includes Global Compact. In 2007, the framework agreements with a number of suppliers were renewed, and it is our long-term objective that all suppliers will eventually sign the agreement. As Grundfos has an extensive supplier portfolio, the rate at which this happens is to be speeded up as soon as the necessary tools have been developed.

Grundfos also further developed the existing framework agreement in 2007, with the inclusion of a Code of Conduct aimed specifically at suppliers, based on the principles of Global Compact.

Grundfos sees its suppliers as partners and is happy to enter into a binding collaboration and to exchange experience to obtain a high standard of social responsibility. In 2007, a more action-oriented approval procedure was also set up for new suppliers. If it turns out that potential suppliers do not fully live up to the requirements, they are given help to develop concrete action plans that will help to bring them up to the level required. It is the Group's objective to assist the suppliers in raising their business standards in line with the local values and in accordance with Global Compact.

With this objective in mind, in 2007, Grundfos developed a tool for the systematic assessment and overview of their suppliers' risk profile. The tool assesses the supplier on a number of parameters such as geographic location and size. The ambition is to establish a number of local supplier role models in high risk countries, which may help to spread good social responsibility in the areas where we do business. Grundfos wishes to be a pioneering company where this is concerned, and to contribute to promoting CSR, regionally and locally.

The current auditing process is set to be further developed in 2008 in order to gain a better understanding of and better insight into our suppliers' level of responsibility. This will be done by using the relevant knowledge that the Group's buyers have gained through their daily contact with the suppliers. Efforts are therefore currently underway to develop a method of collecting and using this knowledge. It will then be assessed whether a supplier should be audited by an external business partner.

The objective in 2008 is to finalise and implement the Code of Conduct for suppliers. The new risk assessment tool will also be implemented, and the use of audits of suppliers with regard to their CSR efforts will commence. Finally, a so-called “category team” is to be established, which consists of an internal network of buyers on a global level with focus on CSR.

WE LISTEN TO THE NEEDS OF OUR CUSTOMERS

Grundfos wishes to achieve a responsible, open and credible dialogue in partnership with its customers. Value-based sales therefore make sense both for Grundfos and its customers.

Every second year, as an integral part of Business Excellence, Grundfos measures the level of customer satisfaction at all local companies within the Group, who define their own objectives. As mentioned in the 2006 report, there is a general level of satisfaction with Grundfos, as the customer satisfaction analyses from 2004 to 2006 show an increase from 77 to 79. See table 20, Customer satisfaction analysis, p. 49.

The results have meant that local focus has been placed on the different areas that are to be improved, e.g. the handling of complaints and understanding of customer requirements. On the basis of this, in 2007, Grundfos in Germany introduced a system to make incoming customer calls more targeted. As a result, it is now faster and easier for customers to speak to the right person when they call.

In order to gain a better insight into customer requirements, Grundfos strengthened its User Focused Design group in 2007. The group helps to identify the actual needs of customers and their actual use of products, as well as future trends, and thereby identifies the most optimal pump solutions for the customer. In addition, Grundfos now offers its customers in several countries a “Pump Audit”, which involves a thorough check of the pumps used at the customers’ factories or facilities. On the basis of the “Pump Audit”, the concrete energy and financial savings that can be achieved with the optimal solution are calculated.

In 2008, Grundfos will continue to develop initiatives to ensure that the results of the customer satisfaction analysis are reflected in our prioritisation.

It is important for Grundfos to meet our customers’ demands for high quality, and we consider the “guarantee per cent” to be the most important overall indicator of quality. The guarantee per cent reflects the share of the products that are reported faulty within the two-year guarantee period. We have found that the guarantee per cent has fallen by approx. 30 per cent since 2003. See table 21, Development in product guarantee cases, p. 49.

WE WILL MAKE THE CHOICE OF PUMPS EASIER

The conditions are to be in place to enable customers to make the most informed choice when they are buying a pump. Training is therefore being offered at the local companies around the world. This training will give customers an insight into how to get the best out of a Grundfos pump. Customers will also be able to obtain further information about the products at www.grundfos.com via WebCAPS, a web-based reference tool.

It is important for customers to have the optimal pump solution with the most sustainable energy consumption. A high level of transparency is prioritised with regard to the energy consumption of pumps for industrial end users, property owners and installers. In 2005, Grundfos introduced the energy labelling of circulator pumps, and, today, the energy label is used by all pump manufacturers on their small canned motor circulator pumps. The energy label has helped to make it easier to save energy in Europe, as the relevant information has been made available.

The energy label has also contributed to a change in attitude among the installers of our circulator pumps. In 2006, 60 per cent of them expressed that the energy labelling of pumps was relevant to their choice of pump, and, in 2007, this figure rose to 73 per cent. In 2005, energy efficiency was the seventh most important criterion among installers when choosing circulator pumps, while in 2007, it was seen as the third most important parameter.

In other words, the labelling is a major factor in the installers’ choice of pump and is, therefore, a prime example of the fact that responsibility goes hand-in-hand with good business.



THEME: SUSTAINABILITY IN PRACTICE





GRUNDFOS BRACES ITSELF FOR THE FUTURE

After over 60 years of continuous growth, Grundfos is, today, the world's leading pump company. We have achieved many of the objectives set out in the company vision of the 1990s, and now the time has come to take stock and set new objectives. 2007 was the year in which we worked determinedly to draw up an "Innovation Intent" for Grundfos for the coming 20-year period.

Our considerations about the Grundfos of the future are based on a number of specific changes – including a growing need for clean technology and the provision and processing of water in a globalised world characterised by fast economic growth and, as a consequence, rapidly growing consumption.

In a future like that, Grundfos' role is to give sustainability first priority – Grundfos needs to be an even more sustainable company. Grundfos also needs to be a truly global company, which focuses its activities in places that offer the best poten-


tial for growing the business. Finally, Grundfos must be a pioneer that takes technological quantum leaps – we must use our technological expertise to develop the products we offer our customers, and thus our business.

A number of concrete initiatives, including the drawing up of a new Group strategy, will be launched to prepare the ground for realising our new Innovation Intent. And, as in other areas, the CSR content of the Intent will be followed up by action plans and objectives. Further details regarding this will follow in next year's Sustainability Report.

This year, we are concentrating on the Group's CSR work in 2007, and, over the next few pages, we will be providing a number of specific examples of how, via our products and activities, we contribute to sustainability in relation to the environment, people and society at large.

A brief introduction to Grundfos' Innovation Intent:

GRUNDFOS THINKING ABOUT TOMORROW



CONCERN Put sustainability first

CARE Be there for a growing world

CREATE Pioneer new technologies

Each of the three main headings in our Innovation Intent represents a major challenge, but the biggest challenge is that we wish to realise all three at the same time. It is in the very diversity of these three areas that we can create unique value for our customers, employees and society at large.

REVERSE PUMPS REDUCE ELECTRICITY CONSUMPTION

The people at Grundfos Research & Technology's test laboratory have come up with a good idea – “reverse” pumps can save electricity when pumps are tested. Financially speaking, with the current energy prices as they are, it does not make good business sense, but in this case Grundfos places its environmental objectives ahead of its financial objectives.

To ensure the quality of the pumps, Grundfos tests them under similar conditions to those they will be subjected to by the customer. A realistic test requires the pump to meet resistance in water – resistance that is traditionally generated by closing a valve, but is now created by turbines. In this way, electricity is produced, which partially replaces the electricity the pump uses during the test.

Department Manager, Ole Østergaard, who has overseen the project, explains that the turbines, which collect the waste energy in the water, consist, quite simply, of “reverse” CR industrial pumps or are made from a combination of parts from CR pumps and SP submersible pumps.

“When the pump is used as a turbine, the water flowing through it causes the motor to rotate, and it therefore functions as a generator that produces power,” he explains.

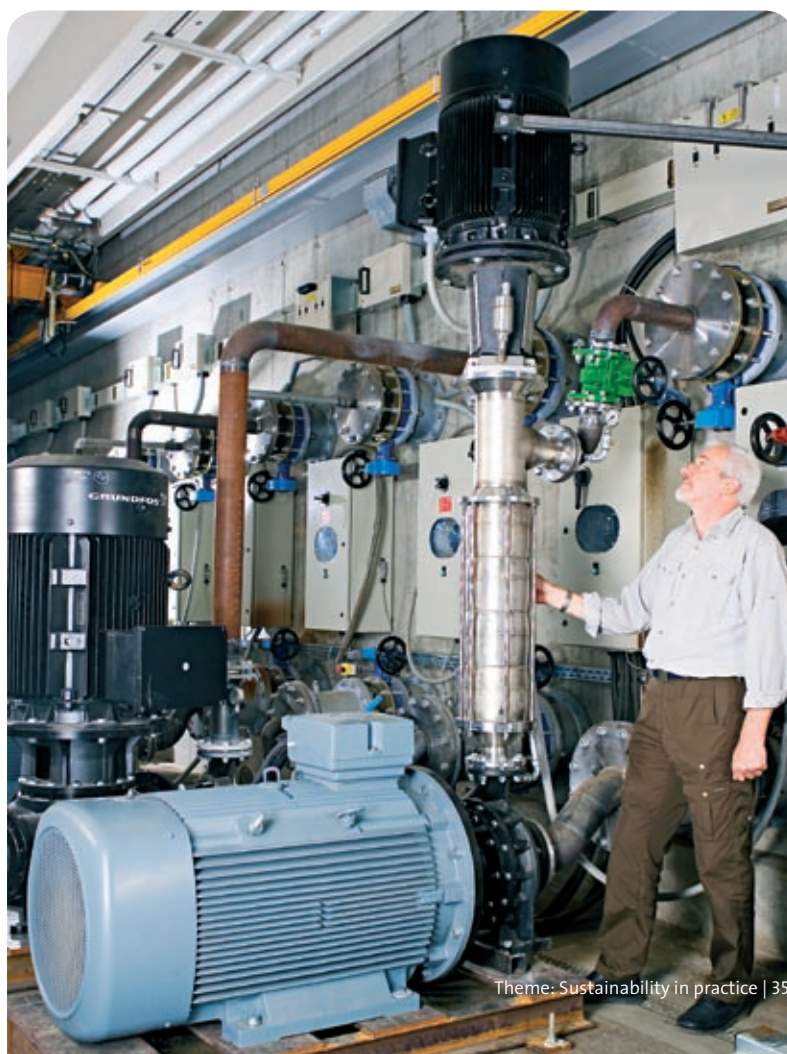
There is a 17-32 per cent saving on the electricity consumption, if you calculate it for every pump tested. Less energy is also required to cool the test water.

Laboratory Manager Bjarne Fjeldsted explains that the objective was to save 10 per cent of the test laboratory's electricity consumption when the initiative was started in 2007.

“We have since raised our goal – not to a higher percentage, but to 10 per cent of the energy consumption of the entire Business Development Centre. I assess that potential savings could be up to 30 per cent of the test laboratory's electricity consumption – and up to 50 per cent if we look at the consumption of electricity for testing a single product,” says Fjeldsted.

In 2007, total savings from the use of turbines in the test facilities amounted to 490,000 kWh. The method is now being refined, and there are expected to be even greater savings in the future – among other things, by placing tests, which are carried out over a long period of time, in places where we can save energy by using the waste heat to heat the premises.

“If you take all of the initiatives into the calculation, permanent annual savings of 1,342,000 kWh have been brought about, corresponding to a CO₂ reduction of 625 tons,” says Fjeldsted. This corresponds to the annual electricity consumption of over 300 single-family homes.



Department Manager Ole Østergaard places his hand on the SP pump that functions as a turbine. Above it, is the black motor that functions as a generator, and at the bottom of the photo is the large black and blue NK pump that is being tested.



ENVIRONMENTAL BENEFITS WITH GRUNDFOS TECHNOLOGY

Grundfos dosing pumps enable diesel engine exhaust systems to meet applicable EU requirements on NOx emissions and requirements which will apply from 2009 in the EU and globally.

A digital dosing pump, developed by Grundfos, makes it possible to dose liquids very precisely. Based on this technology, Grundfos has developed Grundfos NoNOx, a dosing pump that doses urea in quantities so precise that the catalytic converter is able to remove nitrogen compounds - NOx compounds - from the exhaust of diesel engines by up to 90 per cent.

When a diesel engine is running, the dosing pump determines the amount of toxic nitric oxides (NOx-gas) the catalytic converter can eliminate. The dosing pump injects the urea very precisely and continuously into the exhaust fumes under all driving conditions. At this stage, the urea is converted into ammonia, which the catalytic converter in turn transforms into water and nitrogen.

The success of the pump may also be ascribed to its simplicity and the robustness of its construction, plus Grundfos' extensive knowledge of control and control systems, which forms part of our core competences. The control system enables updating and urea dosing changes every 30 milliseconds, depending on whether the truck is stopped in traffic or driving up a steep hill.

Practical testing has shown that the Grundfos NoNOx dosing pump may reduce NOx-emissions from the exhaust of diesel engines by 90 per cent. The pumps have been designed to meet applicable EU requirements on NOx emissions and requirements which will apply from 2009.

Grundfos NoNOx technology is being used in countries such as the US, China, the UK, the Netherlands and Denmark.

PUMP AUDIT CASE BRINGS ENERGY CONSUMPTION DOWN

A Grundfos technician complete with a case packed with measuring equipment developed by Grundfos, and a couple of days in the company of a certain pump installation have shown that the environment can be spared a considerable amount of CO₂.

The total lifetime costs linked to the purchase, service and operation of a pump can be broken down into approx. 5 per cent on the purchase, 10 per cent on servicing and maintenance and 85 per cent in energy consumption. And it is that 85 per cent of the costs that the new solution, known commercially as Grundfos Pump Audit, focuses on.

Product Manager Tue Ingeberg explains that the measuring case concept allows the optimisation of the pump operation and not least the possibility of finding the right dimension on the installation. This can result in a considerable reduction in energy consumption and thus a corresponding reduction of the carbon footprint.

“Behind the name, Grundfos Pump Audit, lies a thorough audit of a given pump installation. The audit makes use of life cycle cost analyses, which identify an installation’s total price from purchase to disposal,” explains Ingeberg.

Pump Audits performed for a wide range of customers in Europe have shown that up to half of the pump’s energy consumption can be eliminated by a critical assessment of the pump’s patterns of use.



REPLACEMENTS PAY FOR THEMSELVES

Two examples prove the value to the environment in the form of reduced energy consumption.

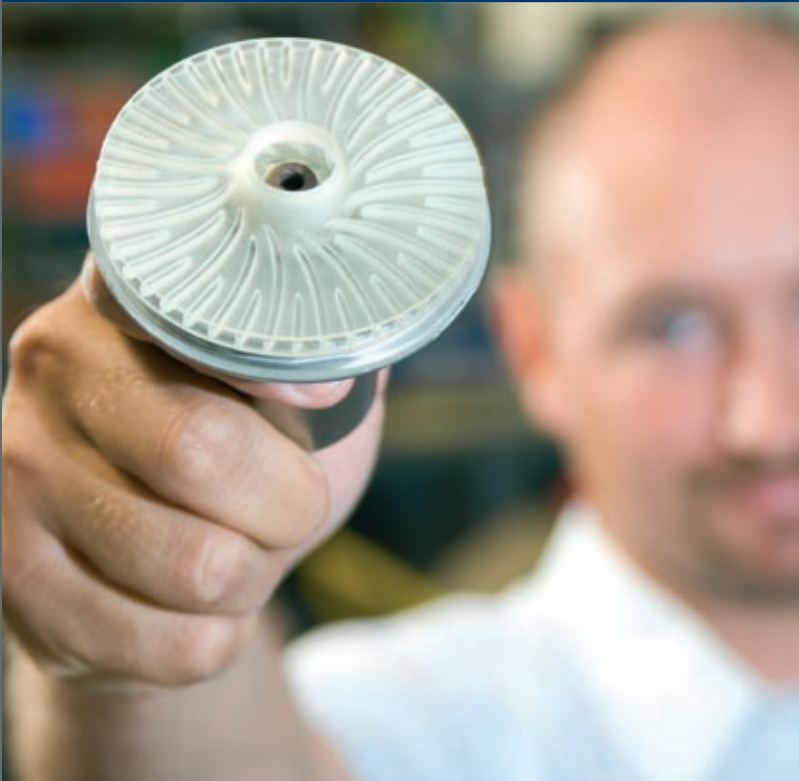
At water supply company Aktobe in Kazakhstan and the company Joh. Pengg AG Wire in Austria, the existing pump installations have been audited and replaced - the results are shown below:

SAVINGS AT AKTOBE:

Pump Audit result: 40 per cent energy savings
Purchase of new pumps: Approx. EUR 342,000
Annual energy savings: Approx. EUR 181,300
Payback time on investment: 23 months

SAVINGS AT JOH. PENGG WIRE:

Pump Audit result: 56 per cent energy savings
Purchase of new pumps: Approx. EUR 21,500
Annual energy savings: Approx. EUR 12,200
Payback time on investment: 21 months



FACTS

Grundfos' solar pumps come in three versions. Two of them have almost halved their energy consumption compared to the traditional circulator pumps they are based on. By using alternative pump technology and allowing the pump to be regulated by electronic signals, it has been possible to bring the energy consumption of the last of the three pumps even further down – within the duty range characterised by solar thermal heating systems, it uses up to 35 per cent less energy than the A-labelled, electronically regulated circulator pump, Grundfos ALPHA2.

The OEM division expects the sale of 400,000 low-energy solar pumps in 2010.

Mads Salling-Mortensen has drastically reduced the electricity consumption of the pump – among other things by changing the geometry of the pump runner.

ENERGY-SAVING PUMPS FOR SOLAR THERMAL HEATING SYSTEMS

Environmental issues and sustainability have really moved up the agenda, when it comes to energy consumption for the heating of homes. Interest in sustainable solutions is rising, and this has led to a rapidly growing market for the circulator pumps that Grundfos has developed especially for solar thermal heating systems.

Henrik Bonde, Director of Grundfos' HVAC OEM division, which develops and sells pumps and optimised hydraulic systems for boiler plants, explains that a large number of OEM customers have begun to supplement the production of conventional central heating systems with the production of solar thermal heating systems.

"Solar thermal heating systems make it possible to limit the energy consumption and emission of CO₂, without having to compromise on user comfort, where heating and domestic hot water are concerned," explains Bonde.

As in conventional central heating systems, pumps are also used to circulate the water in solar thermal heating systems, and the main challenge for Grundfos has been to further reduce the energy consumption of the Grundfos pumps.

Engineer in the HVAC OEM division, Mads Salling-Mortensen was given the challenge, and he soon spotted the opportunity presented by optimising the pumps in relation to the context in which they were to be used.

"Solar thermal heating systems require the same pressure, yet a far lower flow than the heating systems for single-family homes that our circulator pumps were originally dimensioned for. As a result, the flow in the solar thermal heating system has been lowered by closing a valve – which more or less corresponds to applying the brake in a car whilst at the same time stepping on the accelerator – and this method is not at all energy efficient," explains Mads Salling-Mortensen and continues:

"Instead of closing a valve, I changed the geometry of the pump's runner and pump housing. This drastically reduced the electricity consumption, and, in spite of these energy savings, the pump still met the requirements of the solar thermal heating system".

After having been fine-tuned and adjusted, the newly developed circulator pump was ready for presentation at the major trade fair ISH in Frankfurt, Germany, at the beginning of March 2007, and during the summer, it was ready to go on sale.

THE AMERICANS ARE WORKING ON THEIR CARBON FOOTPRINT

A reduction in energy consumption and efforts to lower the strain on the environment are creating a positive impression for the Grundfos factory in Fresno, USA.

“We have caught the attention of the public authorities, as our environmental work is varied and anchored in the entire workforce. We have made such a positive impression that we have received the town’s honorary award for environmental work not once, but twice,” explains Malcolm Montgomery, the Environmental, Health and Safety Manager at Grundfos in Fresno.

Our efforts are focused on how the company can ensure that waste generated in all parts of the company is recycled, and how consideration for our surroundings in production, distribution and the organisation is an integral part of the way we do business. The objective is to reduce the footprint the company leaves on the local environment and energy map.

The recycling of materials and waste has been a pivotal point in the environmental efforts of the American company. It is also worth mentioning that automatic adjustment of electrical light is now a feature in all offices, the company has purchased a hybrid car as its company vehicle, and that the company’s airconditioning system has been modernised and energy-optimised.

“Back at the beginning of 1999, we established that we could do much better as far as our energy consumption was concerned. The result has been a reduction of approx. 30 per cent, which has not only had a positive effect on our baseline, but has also spared the environment a considerable amount of CO₂,” says Malcolm Montgomery.

The company has worked just as efficiently in relation to waste.

“To protect the local area from large amounts of waste, we have aggressively pursued every option for recycling all the materials that we use. Since 1999, 454 tons of waste has been recycled, and in 2006, no less than 93 per cent of our waste was sent for recycling,” explains Montgomery.

Malcolm Montgomery:

“We have saved over 12,000 m³ of water annually via various initiatives at the factory, a reduction of 30 per cent. We have, for example, on various process lines, saved around 50 per cent of the water by restructuring the production. In one place, this has been made possible by economising on the oil used in production. By reducing the amount of oil, we not only save water, but we reduce the amount of wastewater we have to clean.”



With their central location in the heart of the San Joaquin Valley, where water is one of the most valuable natural resources, Fresno and Grundfos’ factory have also assumed responsibility for reducing water consumption.

“We live in an area where water plays an important role. The San Joaquin Valley is known as the larder of California. We are constantly working on reducing our consumption and have, among other things, considerably reduced the watering of the green areas around the factory,” clarifies Montgomery.

The company has thus assumed a responsibility that goes beyond what is expected in the local area.

“We have established a really good reputation for showing responsibility and leading the way in relation

to companies’ social responsibility. It has struck a responsive chord that we invest some of the money we save by recycling waste in the health of our employees through various activities focusing on health and exercise. Thus the majority of our employees participate in a voluntary health programme, and, as far as I am concerned, that is the kind of social responsibility that benefits everyone,” Malcolm Montgomery asserts.



SUMMARY OF DATA





FINANCIAL IMPACT

TABLE 1: Profit and loss account (DKKm)

	2007	2006	2005	2004	2003
Turnover	16,814	15,376	13,422	12,153	11,152
Operating profit	1,610	1,534	1,353	1,328	1,154
Earnings before interest and tax (EBIT)	1,490	1,503	1,297	1,281	1,087
Cost of financials	(117)	(24)	(43)	(49)	(9)
Profit before tax	1,373	1,479	1,254	1,232	1,078
Profit after tax	860	923	807	794	673
Profit for the year	736	796	701	690	579

TABLE 2: Cash flow - distribution of values

	2007		2006		2005	
	DKKm	share	DKKm	share	DKKm	share
Turnover	16,814	100%	15,376	100%	13,422	100%
Employees	4,816	29%	4,326	28%	3,952	29%
Suppliers	10,508	62%	9,547	62%	8,173	61%
Corporation tax	513	3%	556	4%	447	3%
Lenders	117	1%	24	0%	43	0%
Growth - profit after tax	860	5%	923	6%	807	6%

TABLE 3: R&D costs

	2007	2006	2005	2004	2003
DKKm	801	680	590	543	464
% of net turnover	4.8	4.4	4.4	4.5	4.2

TABLE 4: Turnover development by region

Region	growth	2007		2006	
		DKKm	share	DKKm	share
Western Europe	7%	8,929	53%	8,364	54%
Eastern Europe	18%	2,506	15%	2,130	14%
The American continent	5%	1,796	11%	1,712	11%
East Asia	10%	2,842	17%	2,573	17%
The Middle East/Africa	24%	743	4%	597	4%
Total	9%	16,814	100%	15,376	100%
OECD	6%	12,978	77%	12,279	80%
Non-OECD	24%	3,836	23%	3,097	20%
Total	9%	16,814	100%	15,376	100%

TABLE 5: Direct purchases for the manufacturing of products

Region	2007	2006
OECD	87%	88%
Non-OECD	13%	12%
Total	100%	100%

TABLE 6: Tangible capital investments

Region	2007		2006	
	DKKm	share	DKKm	share
Western Europe	846	58%	660	59%
Eastern Europe	334	23%	184	16%
The American continent	132	9%	96	9%
East Asia	143	10%	174	16%
The Middle East/Africa	4	0%	5	0%
Total	1,459	100%	1,119	100%
OECD	1,276	87%	986	88%
Non-OECD	183	13%	133	12%
Total	1,459	100%	1,119	100%

ENVIRONMENTAL IMPACT

TABLE 7: Water consumption (1,000 m³)

	2008	2007	2006	2005	2004	2003	2000
Total		514	408	424	416	369	255
Turnover (DKKm)		14,690	13,197	11,448	10,539	9,815	8,186
Index		112	99	119	127	121	100
Sales companies, consumption		155	98	105	92	83	-
Index, sales companies		-	-	-	-	-	-
Production companies, consumption		359	310	319	324	286	255
Index, production companies		78	75	89	99	94	100
Objectives	70	72	-	-	-	-	-

TABLE 8: Electricity consumption (MWh)

	2008	2007	2006	2005	2004	2003	2000
Total	173,803	166,082	141,613	139,272	139,272	129,221	112,741
Turnover (DKKm)	14,690	13,197	11,448	10,539	10,539	9,815	8,186
Index (total)	86	91	90	96	96	96	100
Sales companies	15,976	12,719	10,165	8,374	8,374	7,784	-
Index, sales companies	-	-	-	-	-	-	-
Production companies	157,827	153,363	131,448	130,898	130,898	121,437	112,741
Index, production companies	78	84	83	90	90	90	100
Objectives	75	81	-	-	-	-	-

TABLE 9: Heating consumption (MWh)

	2008	2007	2006	2005	2004	2003	2000
Sales companies	-	-	-	-	-	-	-
Production companies	78,910	85,031	79,034	73,081	73,081	71,617	51,720
Total	78,910	85,031	79,034	73,081	73,081	71,617	51,720
Turnover (DKKm)	14,690	13,197	11,448	10,539	10,539	9,815	8,186
Index	85	102	109	110	110	115	100

TABLE 10: Certification – status 2007

	ISO 14001	OHSAS 18001	EMAS
Production companies:			
GBJ – GRUNDFOS A/S (Denmark)	+	+	+
GWP – GRUNDFOS Pumpenfabrik GmGH (Germany)	+	+	+
GBW – GRUNDFOS Manufacturing Ltd. (United Kingdom)	+	+	+
PGF – Pompes GRUNDFOS S.A. (France)	+	+	+
GMU – GRUNDFOS Pumps Manufacturing Corporation (USA)	+	+	N.R. ¹
GTW – GRUNDFOS Handels AG Taiwan Branch (Taiwan)	+	+	N.R.
GPC – GRUNDFOS Pumps (Suzhou) Ltd. (China)	+	+	N.R.
GEF – OY GRUNDFOS Environmental Finland Ab (Finland)	+	2009 ²	-
GMH – GRUNDFOS Manufacturing Ltd. (Hungary)	+	2008	-
GMR – GRUNDFOS Manufacturing Russia (Russia)	2009	-	N.R.
MXP – Bombas GRUNDFOS de Mexico Manu. S.A. de C.V. (Mexico)	2009	-	N.R.
GSM – GRUNDFOS Submersible Motors S.r.l. (Italy)	2011	2009-2010	-
STX – Sintex A/S (Denmark)	-	-	-
GBR – Mark GRUNDFOS Ltda (Brazil)	2010	2010	N.R.
Sales Companies:			
GDK – Grundfos DK A/S (Denmark)	+	-	-
GB – GRUNDFOS Pumps Ltd. (United Kingdom)	+	-	-
GRO – GRUNDFOS Pompe Romania S.R.L. (Romania)	2008	-	-

¹ Not relevant.

² Year company certification expected.

TABLE 11: Chemical waste (tons)

	2008	2007	2006	2005	2004	2003	2000
Sales companies		-	-	-	-	-	-
Production companies		2,795	1,827	1,820	1,841	2,349	2,099
Total		2,795	1,827	1,820	1,841	2,349	2,099
Turnover (DKKm)		14,690	13,197	11,448	10,539	9,815	8,186
Index		74	54	62	68	93	100
Objectives	40	45	-	-	-	-	-

SOCIAL IMPACT

TABLE 12: Employees

	2007	2007 (%)	2006	2005	2004
Number of employees in the Grundfos Group³	17,067		15,178	13,749	12,810
Number of full-time positions in the Grundfos Group ⁴	16,457		14,782	13,369	12,586
Number of employees included in the report ⁵	13,951		11,678	7,098	6,981
OECD	13,903	81.5%	12,562	11,736	10,821
Non-OECD	3,164	18.5%	2,616	2,013	1,989
Undesirable employee turnover, salaried employees⁶	5.5%		5.8%	3.5%	5.2%
- Of these in sales companies	5.9%				
- Of these in production companies	5.5%		6.0%		
Undesirable employee turnover, production workers⁶	7.2%		5.9%	4.6%	5.6%
- Of these in sales companies	3.0%				
- Of these in production companies	7.6%		6.0%		
Age distribution					
-19 years	238	1.7%	253	159	146
20-29 years	3,019	21.6%	2,658	1,471	1,469
30-39 years	4,473	32.1%	3,610	2,134	2,131
40-49 years	3,702	26.5%	3,070	1,924	1,843
50-59 years	2,131	15.3%	1,771	1,203	1,209
60+ years	388	2.8%	316	207	183
Western Europe	8,438				
Age distribution					
-19 years	208				
20-29 years	1,230				
30-39 years	2,407				
40-49 years	2,629				
50-59 years	1,650				
60+ years	314				
Asia	2,010				
Age distribution					
-19 years	3				
20-29 years	774				
30-39 years	833				
40-49 years	317				
50-59 years	78				
60+ years	5				
Number of apprentices	453		411	291	275

TABLE 12: Employees - continued

	2007	2007 (%)	2006	2005	2004
Employee distribution by gender					
Women	4,629	33.2%	3,965	2,731	2,723
Men	9,322	66.8%	7,713	4,367	4,258
Manager distribution by gender ⁷					
Women	185	17.1%	177	48	41
Men	899	82.9%	856	284	288

³ Number of employees in the Grundfos Group.

⁴ Number of employees translated into full-time positions.

⁵ Number of employees included in the basis of calculation of the report.

⁶ Also includes companies that are neither production nor sales, but which are included in the report.

⁷ With effect from 2007, a change has been made in the Sustainability Report regarding the definition of "manager", which has been narrowed down, meaning that the number of managers is lower. Comparatives for last year remain unchanged.

TABLE 13: European Employee Index EEI benchmark

	Grundfos 2006	EEI 2006
Total satisfaction and motivation	73	67
Satisfaction	73	65
Motivation	73	69
Loyalty	83	77
Commitment	84	82
Faithfulness	82	73

TABLE 14: Employee's Development Dialogue (EDD)

	2007	2006	2005	2004
Companies that carry out an annual EDD for their employees	93%	88%	-	-

TABLE 15: Suggestions for improvement ⁸

	2007	2006	2005	2004
Total suggestions for improvement	28,069	29,122	19,857	15,044
per employee	2.0	2.9	2.8	2.2
Suggestions for improvement implemented	21,061	21,170	16,865	11,676
percentage of total	75.0%	72.7%	84.9%	77.6%
per employee	1.5	2.1	2.4	1.7
Suggestions for environmental improvement ⁹	6,701	3,399	5,268	4,813
per employee	0.5	0.5	0.7	0.7
Suggestions for environmental improvement implemented	3,626	1,039	-	-
percentage of all env. improvement suggestions	54.1%	30.6%	-	-
per employee	0.3	0.1	-	-

⁸ With effect from 2007, the number of suggestions is calculated in relation to the total number of employees included in the report. Previously, the number of suggestions was calculated in relation to the number of employees at the companies that reported suggestions for improvement. Comparatives for last year remain unchanged.

⁹ Applies to both environment and working environment.

TABLE 16: Absence due to sickness

	2007	2006	2005	2004
Salaried employees	1.6%	1.6%	1.6%	1.4%
Production workers	5.3%	4.6%	5.0%	5.1%

TABLE 17: Accidents ¹⁰

	2007	2006	2005	2004	2003
Accident frequency (accidents/1 million working hours)	16.0	15.0	15.8	17.9	19.5
Absence due to accidents (hours/1,000 working hours)	2.2	2.0	1.6	1.8	2.3

¹⁰ Only calculated for production companies.

TABLE 18: Training

	2007	2006	2005	2004
Number of training hours	269,911	184,478	216,011	190,631
- per employee	37	16	30	27
Number of hours of English lessons	60,470	46,998	-	-
- per employee	4	3.9	-	-
Number of employees who have received English lessons	1,052	1,138	-	-
- percentage of total number of employees	7.5%	9.5%	-	-
Course participants at The Poul Due Jensen Academy (not including PDJA satellite academies)	1,247	1,260	980	882

TABLE 19: Employees on special terms

	2008	2007	2006	2005	2004
Employees with reduced working capacity		331	306	308	-
- percentage of total		2.4%	2.6%	3.0%	2.3%
Employees in other minority groups		62	133	66	-
- percentage of total		0.4%	1.1%	0.9%	
Total number on special terms		2.8%	3.8%	3.9%	
- objective	3.0%	3.0%			
Employees with reduced working capacity - employed by external supplier		154	112	169	
- percentage of total		1.1%	1.0%	2.4%	

TABLE 20: Customer satisfaction analysis

	2006	2004
(1) Are you generally satisfied with your dealings with Grundfos?	79	77
(2) Is Grundfos known as an environmentally-friendly company?	73	70
(3) Is competent advice given regarding the choice of products?	76	74
(4) Information regarding new products	71	69
(5) The general attitude towards complaints	67	66
(6) Responsiveness to your needs and special requirements	68	71

TABLE 21: Development in product guarantee cases

	2007	2006	2005	2004	2003
Index	72	81	92	91	100



ABOUT THE REPORT





GRUNDFOS ABOUT THE REPORT

As a supplement to the Grundfos Group's financial Annual Report, this Sustainability Report is intended to give all of our stakeholders a greater insight into the Group's activities, and thus give them a broader basis on which to assess Grundfos.

The Sustainability Report deals with the Grundfos Group's finances and principles, practice and results for 2007 for important issues regarding sustainability, including the impact on society at large and the environment via products and activities.

The report was inspired by the Global Reporting Initiative (GRI), guidelines for the compilation of sustainability reports. Data has been compiled for the calendar year 2007.

The definition of important issues is determined internally on the basis of existing programmes and activities in the respective areas. This is again firmly anchored in the dialogue between the functions and the stakeholders.

The Sustainability Report covers the entire Grundfos Group, though environmental, working environmental and social data has not been included for production companies that do not bear the Grundfos name, unless stated otherwise. These companies are not included in this report as, for the time being, they are run as separate companies within the Group and are therefore subject to a set of internally determined requirements concerning the environment and health and safety. In 2007, these companies accounted for 12.7 per cent of the Group's turnover. Newly acquired companies are recognised in the profit and loss account as at the time of acquisition.

Although Grundfos goes to great lengths to ensure that the data in this report is as complete and accurate as possible, certain data may require additional verification.

Important data is calculated as stated below. There has been no change to the method of calculation or definitions compared to the previous year, unless otherwise stated next to the data concerned.

FINANCIAL IMPACT

Financial data is obtained from the Group's accounting system. The data included has been calculated according to the same principles as in the Annual Accounts. Direct purchases for the manufacturing of products is divided by region on the basis of the address of the supplier of the goods.

ENVIRONMENTAL IMPACT

The environmental and working environmental data has been collected and processed by the Grundfos Group's environmental division. Environmental and working environmental data for the report is collected annually from the production companies according to a fixed reporting procedure and in a standardised format. At the manufacturing companies, the key data

is collected in accordance with procedures laid down in the environmental management systems. A Group standard for data collection and processing containing specific definition of the content of the data and the procedures for the quality control of data is used.

Environmental and working environmental data from the sales and service companies was collected, for the first time in 2007, through the use of questionnaires.

For water and electricity consumption as well as chemical waste, indexed environmental key figures have been used. Indexed figures are used in order to compare figures for different years despite changes in production activity. The turnover of production companies bearing the Grundfos name has been used for indexing and the reference year is 2000. The indexed figures have been calculated as in the following example: If the electricity consumption in 2007 is 100 million kWh and the turnover is DKK 2 billion, while the electricity consumption in 2000 is 95 million kWh and the turnover is DKK 1.8 billion, the index for 2007 compared to 2000 would be: $(100/2)/(95/1.8)*100 = 94.7$. i.e. a saving of 5.3% from 2000 to 2007.

Water and electricity consumption is calculated for both production and sales companies. Consumption at the production companies includes the consumption in production, administration and/or other non-production areas. Sales companies that are physically linked to a production company are included in the figures for the production company, where there is no separate measurement. The total consumption is indexed in relation to the turnover and reference year 2000.

Chemical waste covers the part of the production companies' waste that is disposed of via a third party such as chemical or hazardous waste. The total consumption is indexed in relation to the turnover and reference year 2000.

Data regarding environmental management systems covers the number of production companies that are certified according to ISO14001, and the number of production companies that are verified according to EMAS.

Electricity savings for e-products are calculated as the global energy savings generated by all of Grundfos' energy-efficient pumps sold that year. The figure does not include the accumulated savings over the product's lifetime. The estimate is based on the actual sales figures for the year and assumptions about which previous models the pumps sold replace. The analysis of the products' energy consumption is based on the draft CEN standard 1511-1. The figure is calculated as energy savings in million kWh/year and per the electricity consumption of 1,000 households. A household's electricity consumption is based on figures from the International Energy Agency.

SOCIAL IMPACT

Information regarding employees is calculated, unless otherwise stated, on the basis of annual reports to the Group's HR department with the help of a questionnaire for the Sustainability Report.

The calculation of the number of employees covers the actual number of employees at the time of the year end. The number of employees includes full-time and part-time employees, apprentices and temporary employees. The figures do not include people who work for temp agencies, people who are on leave, or those under 18 and working on an hourly basis. The number of employees is shown divided by age and gender. The gender distribution of managers is also shown. In connection with the division of employees by geographical region, the number of employees is based on the entire Grundfos Group.

Staff turnover is calculated on the basis of the number of employees who leave Grundfos, where Grundfos considers their reasons for leaving as undesirable. Temporary employees, employees who have been dismissed and employees who retire are not included in the calculation. The turnover is given as a percentage of the average number of actual employees.

Absence due to sickness is calculated as lost worktime relating to sickness, including pregnancy-related sickness and work injuries. The percentage of absence is calculated as the number of registered days of absence compared to the total number of work days per year.

The number of work accidents is calculated as the number of work accidents resulting in one or more days' absence after the day of the accident. The figure includes production workers and temporary workers paid directly by Grundfos. The frequency of work accidents is calculated per one million working hours.

In the calculation of the hours of absence caused by work accidents, absence on the day of the accident is not included. Accident-related absence is calculated per 1,000 working hours.

The number of hours of training includes hours registered spent by production workers on development, training and supplementary training. A separate calculation is included of the number of hours of training at The Poul Due Jensen Academy.

The Grundfos companies systematically register the number of apprentices, which is calculated as the number of employees registered under the job categories: trainee and apprentice.

Grundfos collects suggestions for improvement. These are calculated as registered suggestions for improvement, which are then calculated as an average per employee (employed at

the end of the accounting year). The number of environmental suggestions is included as part of the number of suggestions for improvement. The number of implemented suggestions for improvement is calculated as a percentage of the total suggestions, for the total number and for the number of suggestions for environmental improvement respectively. At some companies, only the suggestions implemented are registered. In those cases, the number of proposed suggestions is entered at the same number as those implemented. Suggestions for environmental improvement include working environment aspects.

The number of employees on special terms is calculated as the number of employees, who are given special consideration by Grundfos, or for whom Grundfos installs special facilities aimed at the employees' physical, psychological or social problems. Special consideration is given by amending or adjusting the workplace with regard to time, flexibility or mobility, or by adjusting the content of the job or the nature of the work, to enable it to be carried out in spite of reduced working capacity. The number of employees working for an external business partner who carries out assignments for Grundfos is also included. The job volume is converted to the number of full-time positions.

The use of employee interviews is calculated as the number of production and sales companies who use Grundfos' tools for employee interviews.

Every second year, an employee motivation analysis is carried out among the Group's employees, when all employees throughout the Group have the opportunity to voice their opinions about Grundfos as a workplace. The questions in the survey are wide-ranging in relation to the company strategy focus areas and assess the employees' motivation and commitment. The results are used to identify important target areas at Group and department level. The report states when the survey took place.

Every second year, customer satisfaction is analysed at all Grundfos companies. The companies' ability to fulfil the customers' needs is evaluated according to ten different parameters and the results are gathered in a satisfaction index.

The number of guarantee cases is calculated as a guarantee percentage that shows the percentage of products sold that are reported faulty within the Grundfos two-year guarantee period. The number of guarantee cases is indexed compared to figures for 2003. The calculation does not contain figures for UP OEM products, as guarantee cases for these products are not registered by Grundfos, but by the OEM customer.

AUDITOR'S REPORT

TO THE GROUP MANAGEMENT OF GRUNDFOS MANAGEMENT A/S

We have performed a review of the Grundfos Sustainability Report 2007 ("the Report"). The purpose of our review was to submit a statement on the employee, environmental and financial data in the Report. The management of the company is responsible for the Report. Our responsibility is to provide a conclusion based on our review of the Report.

THE PERFORMED REVIEW

We have performed our review in accordance with the Danish auditing standard on assurance engagements RS 3000 ("Assurance engagements other than audits or reviews of historical financial information"). It has been our purpose to obtain limited assurance that the employee, environmental and financial data at Group level in the Report are in accordance with the described reporting practice and information reported by factories and other business units. By agreement, we have visited the company's factories in Bjerringbro, Denmark and St. Avold, France, in order to evaluate whether data regarding employees and the environment has been documented, collected and calculated in accordance with Group instructions.

Our review is based on an evaluation of risk of material errors. We have evaluated the reporting practice and analysed correlations with the company's audited annual accounts, and we have performed spot check comparisons with documentation. The review is limited to first of all include inquiries from management and employees as well as analytical procedures and a limited level of assurance is thus lower than the assurance which would have been obtained if we had performed an audit.

CONCLUSION

During our review, nothing came to our attention that caused us not to believe: 1) that the employee, environmental and financial data for the Group overall are in accordance with the described reporting practice and information reported by factories and other business units, and 2) that employee and environmental data from the company's factories in Bjerringbro, DK, and St. Avold, France, have been documented, collected and calculated in accordance with Group instructions.

Aarhus, 20.05.08

Deloitte
Statsautoriseret Revisionsaktieselskab

H.P. Møller Christiansen
State-authorized Public Accountant

Preben J. Sørensen,
State-authorized Public Accountant

GLOBAL COMPACT REFERENCE LIST

HUMAN RIGHTS

PAGE NUMBER

Principle 1:	Companies should support and respect the protection of internationally adopted human rights; and	7, 23, 26, 29, 30, 34, 45
Principle 2:	ensure that they are not involved in abuse of human rights.	7, 23, 26, 29, 30, 34, 45, 48

WORKING CONDITIONS

Principle 3:	Companies should respect voluntary unionism and the right to collective bargaining;	7, 23, 24, 26, 29, 30
Principle 4:	abolition of all kinds of forced labour; and	7, 23, 29, 30
Principle 5:	abolition of child labour; and	7, 23, 29, 30
Principle 6:	abolition of discrimination as regards engagement and employment.	7, 21, 23, 26, 27, 28, 29, 30, 46, 47, 48

ENVIRONMENT

Principle 7:	Companies should support preventative initiatives to solve environmental problems;	7, 14, 15, 16, 18, 19, 20, 21, 23, 29, 30, 31, 34, 35, 36, 37, 38, 39
Principle 8:	take initiatives to promote responsibility towards the environment; and	7, 14, 15, 16, 18, 19, 20, 21, 23, 29, 30, 31, 34, 35, 36, 37, 38, 39, 45, 47
Principle 9:	support the development and dissemination of environmentally friendly technologies.	7, 14, 16, 18, 19, 20, 21, 23, 29, 30, 31, 35, 36, 37, 38, 39, 45

ANTI-CORRUPTION

Principle 10:	Companies should work against all forms of corruption, including blackmailing and bribery.	7, 23, 29, 30
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GRUNDFOS IN BRIEF

Water gives life to people, animals and plants and is a necessity for industry to produce. Water is very useful when heating and cooling buildings and is also used to drain off waste products. Anywhere where water is a coveted resource or needs to be drained away, Grundfos plays a central role.

Our range of efficient and reliable pump solutions is continuously expanded. Extensive know-how and intensive research and product development allow us to develop new, trend-setting products which meet ever-increasing requirements made by customers and society at large for improved energy efficiency and a reduced impact on the environment.

In addition to pumps and pump systems, Grundfos develops, manufactures and sells energy-efficient electromotors and sophisticated electronics. Once the electronics are built into the pumps, they become "intelligent", i.e. capable of assessing the current need for water and adapt their performance accordingly – all of which results in a significant reduction in energy consumption.

At all stages of production, quality is controlled effectively as we control a high degree of own production. The control of production helps to ensure high productivity, a good working environment and minimum impact on the environment.

With their knowledge and commitment, the employees are the most important resource in the Grundfos Group. There-

fore, the Group aims to offer the employees further training and to create an inspiring environment that promotes the development of new products with an increased utility value and high quality for the customers.

The Group's global nature is our customer's guarantee for continuous and easy access to pumps, spare parts and service. In order to increase the reliability of delivery and improve the possibility of meeting requirements that many pump solutions are produced locally, the Group is continuously developed through decentralisation of the production, the establishment of new sales and service companies and the establishment of regional research and development units.

Being a globally responsible company, Grundfos strongly emphasises the importance of being in harmony with the environment. All over the world, we strive to create and strengthen lasting ties with employees and business partners as well as the communities in which we operate.

The Grundfos Group is owned by the Poul Due Jensen Foundation, whose primary purpose is to expand and develop the Group. Reinvestment of earnings ensures that the Grundfos Group remains an independent company.

For further information about Grundfos, please visit our website at: <http://www.grundfos.com>

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CORPORATE STRUCTURE



THE GROUP MANAGEMENT, GRUNDFOS MANAGEMENT A/S

Group President
CARSTEN BJERG

Group Executive Vice
President
CARLO PROLA

Group Executive Vice
President
SØREN Ø. SØRENSEN

Group Executive Vice
President
LARS AAGAARD

Group Executive Vice
President
HEINE DALSGAARD



GROUP FUNCTIONS

- Branding
- Controlling/finance
- eBusiness
- Property Division
- Finance
- Purchasing
- IT/IS
- Legal Department
- Communication
- Quality
- New Business
- Personnel (HR)
- The Poul Due Jensen Academy
- Production
- SCM/logistics
- Service



BUSINESS DEVELOPMENT

- Business Unit Building Services
- Business Unit Industry, Wastewater and Water Supply
- Business Unit Dosing
- Development and Technology R&T



SALES REGIONS

- Northern Europe
- Germany
- Eastern Europe
- Southern Europe
- North America
- South America
- Australia and New Zealand
- Asia and the Pacific
- Japan



GROUP PRODUCTION

- Denmark ○
- England ○
- Finland ○
- France ○
- Italy ○
- China ○
- Mexico ○
- Russia ○
- Taiwan ○
- Germany ○
- Hungary ○
- USA ○

MANAGEMENT STRUCTURE

DENMARK
THE POUL DUE JENSEN FOUNDATION

The Poul Due Jensen Foundation, based in Bjerringbro, is the parent company of the Grundfos Group. The Poul Due Jensen Foundation owns 84.5 per cent of the share capital in Grundfos Holding AG, Switzerland, while the founder's family owns 12.1 per cent and the employees own 3.4 per cent.

THE BOARD OF DIRECTORS OF THE POUL DUE JENSEN FOUNDATION

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LARS KOLIND

Board Member
POUL DUE JENSEN

Board Member
INGERMARIE DUE NIELSEN

Board Member
THOMAS LUND

Vice Chairman
NIELS DUE JENSEN

Board Member
ESTRID DUE HESSELHOLT

Board Member
NIELS CHRISTIAN NIELSEN

Board Member
CHRISTINE BOSSE

SWITZERLAND
GRUNDFOS HOLDING AG

SWITZERLAND
GRUNDFOS INSURANCE MANAGEMENT AG

DENMARK
GRUNDFOS MANAGEMENT A/S

DENMARK
GRUNDFOS FINANCE A/S

GROUP BOARD OF DIRECTORS, GRUNDFOS MANAGEMENT A/S

Group Chairman
NIELS DUE JENSEN

Vice Chairman
 DIRECTOR
LARS KOLIND

Board Member
 PROFESSOR NIELS
 CHRISTIAN NIELSEN

Board Member
 DIRECTOR
THOMAS LUND

Board Member
 GROUP CEO
CHRISTINE BOSSE

BE > THINK > INNOVATE >

Being responsible is our foundation
Thinking ahead makes it possible
Innovation is the essence

The Grundfos Group

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