

# Sustainability Report 2008



The Grundfos Group

“THE CONCEPT OF SUSTAINABLE  
DEVELOPMENT EMBRACES OUR  
OVERALL VISION AND OUR  
BUSINESS BEHAVIOUR”

*Group President CEO, Carsten Bjerg*







“THE WORLD NEEDS AND WILL NEED CLIMATE-FRIENDLY SOLUTIONS. WE CANNOT LEAVE AN ENVIRONMENTAL DEBT TO THE GENERATIONS TO COME. THEREFORE, CLIMATE IS THE THEME FOR GRUNDFOS’ SUSTAINABILITY REPORT 2008”

*Group President CEO, Carsten Bjerg*

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# Sustainability

## forms the actual basis of Grundfos' activities



Grundfos' clear objective is to create value for Grundfos and society at large. CSR, Corporate Social Responsibility, is therefore an essential element in our business strategies.

Throughout our history, responsibility has been a natural part of our activities. Sustainability is at the core of our business ambitions, and our business principles are based on the responsibility we share towards the world around us. Responsibility is not just an obligation for those who have the ability. It is also good business as sympathy and sympathetic insight provide the best results in every way for the customers, the employees and the surroundings.

This is how we prioritise today and this is also how we wish to prioritise in the future - irrespective of times of unrest.

The financial and economic crisis had an impact on the performance of Grundfos in 2008. Although sales increased by 13.1 per cent to €2.5bn, 2008 was not the best year in terms of earnings. At €129m, the 2008 profit before tax is somewhat lower than in 2007 and since then sales have declined due to the sudden slowdown in the world economy.

We need to adapt to a world which is in the midst of a serious recession and we are still uncertain of how it will all end. But in spite of the crisis and savings, we maintain our prioritisation of sustainability, and credibility and transparency are more important than ever.

We are determined to focus on the possibilities rather than the limitations,

and the current economic crisis must not overshadow the worldwide need for sustainable solutions.

In 2002, Grundfos joined the UN Global Compact, and together with our core values, its principles form the basis of our CSR activities. Our constant aim is to increase our responsibility and we consider CSR to be a journey rather than a destination. We are always heading towards new goals in our CSR activities, and this is reflected in this report with several examples of the company's products, people, processes and purchasing. In other words, there are no final answers because we live in a changing world with new challenges, new demands and new solutions.

We are very concerned about the global climate challenge, and we can make a difference. We have the expertise, technologies and products to reduce and remedy the threatening climate changes, and we also see very interesting business opportunities. The world needs and will need climate-friendly solutions. We cannot leave an environmental debt to the generations to come.

Our pump solutions can move water away from places where it presents a danger to places where it is useful. Our state-of-the-art energy technological solutions ensure that this is possible with an energy consumption so low that CO<sub>2</sub> emissions are reduced to a minimum. And with business areas such as Grundfos BioBooster, NoNOx, InFarm and MicroRefinery, we contribute with innovative solutions to the disposal of wastewater, purification of diesel

exhaust, removal of odour problems from pig farms and transformation of wastewater sludge into diesel.

Grundfos wishes to do its bit to ensure that population growth, urbanisation and the increasing demand for greater housing comfort and cleaner water do not result in the overexploitation of natural resources.

We are extremely focused on defending our position as a leading supplier of sustainable and energy efficient pump solutions. At the same time, we are investing heavily in making Grundfos one of the leading suppliers of innovative clean-tech system solutions within the field of water.

Fortunately, we are not the only ones to find the climate agenda important. In December 2009, the world's political leaders will meet at the UN Climate Conference in Copenhagen where they are to find long-term answers to the climate challenges. The best way to achieve this is to cooperate with committed citizens, organisations and companies and it goes without saying that Grundfos will contribute actively.

As a member of the Copenhagen Climate Council, Grundfos has been involved in the mobilisation of the world's business leaders prior to the climate conference, and via our Future Now initiative we also help to raise awareness of the need to take essential steps to halt the climate changes. We can have a positive influence on the future if we start now.

Niels Due Jensen                      Carsten Bjerg  
Group Chairman                      Group President and CEO

26 May 2009

# The future needs us. **Now.**



The time for just talking about climate change is over. We need to increase our efforts to protect our planet for future generations. And we need to start now.

Future Now is a Grundfos initiative that aims to create and spread great ideas and knowledge about how to combat climate change. Through the Future Now website and several real-life activities, everyone can do their part to inspire and influence people, companies and politicians throughout 2009 and beyond.

Grundfos is asking for 60 seconds of everyone's time to give their views on how we can try to stop the climatic changes. We are also collecting as many signatures as we can on big Future Now letters placed around Denmark. People will have the opportunity to do both when the Future Now lorry, which is travelling around Denmark in the months leading up to COP15, comes to their town. The signed letters will be delivered to Connie Hedegaard, Danish Minister of Climate and Energy on 7 December 2009 to show how many people support the signing of the COP15 protocol.

The initiative is a part of Grundfos' participation in different conferences and climate activities leading up to COP15 in December 2009. These are outlined on the Future Now website.

[www.future-now.com](http://www.future-now.com)



# CSR integrated in the **business strategy**

In the global world, society and companies are inextricably connected. We therefore believe that our long term success is based on creating value for Grundfos and for society. To us, corporate social responsibility is an integral part of our business strategy. Business and sustainability are connected at all links within our value chain.

Grundfos' tradition for social responsibility dates back to the time when the company was established, but the world has changed and we still want to be at the cutting edge within CSR.

That is why one of the cornerstones of the Group Strategy is "Taking sustainability to the next level", which focuses on business opportunities, responsibilities and influence.

To support the successful achievement of the Group Strategy, we have in 2008 adopted a strategy for the next four years of our work with CSR. This strategy includes our new framework of shared value and the following strategic themes, which we will focus on in the future:

- Outstanding CSR performance
- Climate
- Respectful stakeholder engagement
- Well-founded business ethics
- Access to water for the poor

**CSR has to make sense in business and we therefore operate on the basis of a framework, which is aligned with Grundfos' fundamental values, our business principles and the goals of our Group Strategy.**

#### **Sustainable development**

We understand sustainable development as forms of progress that meet the present without compromising the ability of future generations to meet their needs. The concept of sustainable development embraces our overall vision and our business behaviour.

#### **Corporate social responsibility**

We define corporate social responsibility as the way we integrate social and environmental concerns into our business operations and in our interaction with stakeholders on a voluntary basis. We consider our CSR activities as Grundfos' contribution to sustainable development.

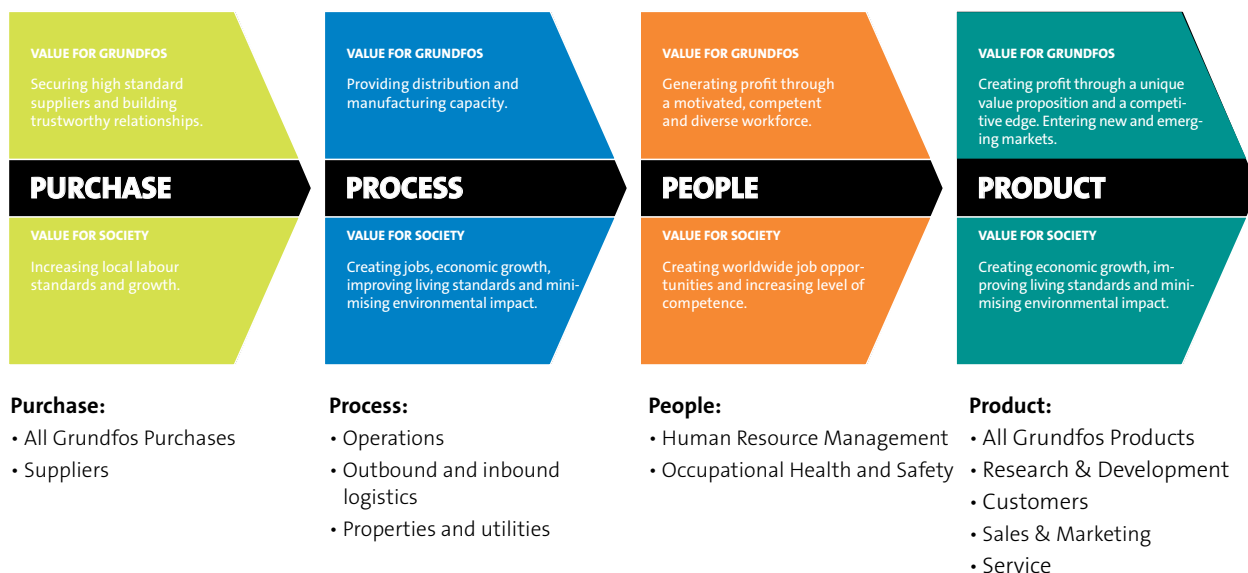
#### **Shared value**

We believe that Grundfos and the societies in which we operate are interdependent, meaning successful companies need healthy societies and healthy societies need successful companies. Therefore, our business decisions follow the principle of shared value – they benefit both sides. Grundfos is in a unique position to create shared value and thereby contribute to sustainable development – throughout our value chain, i.e. suppliers, operations, employees, products and customers.



# Grundfos' Shared Value Model

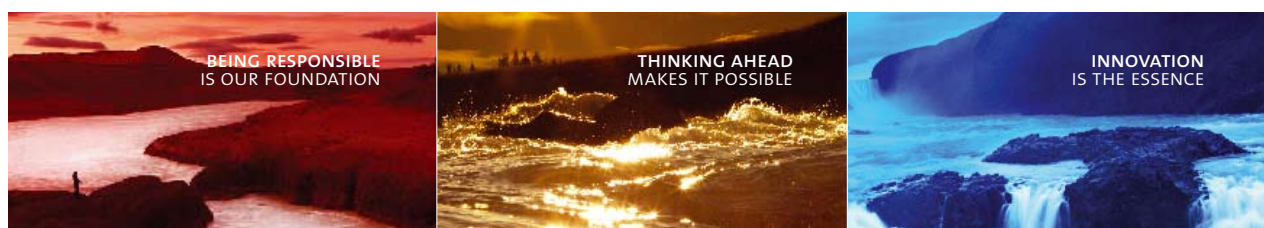
Our model for shared value is based on the concept of a value chain. It includes the main activities at Grundfos and provides an insight to where value can be created for both Grundfos and society - linking business to CSR. The structure of the report is based upon this model to communicate Grundfos' fundamental premise for practicing CSR. To emphasise Grundfos' core competence and unique corporate culture of innovation, the report will weight the sections as follows: Product, People, Process and Purchase.



## Corporate Social Responsibility Management

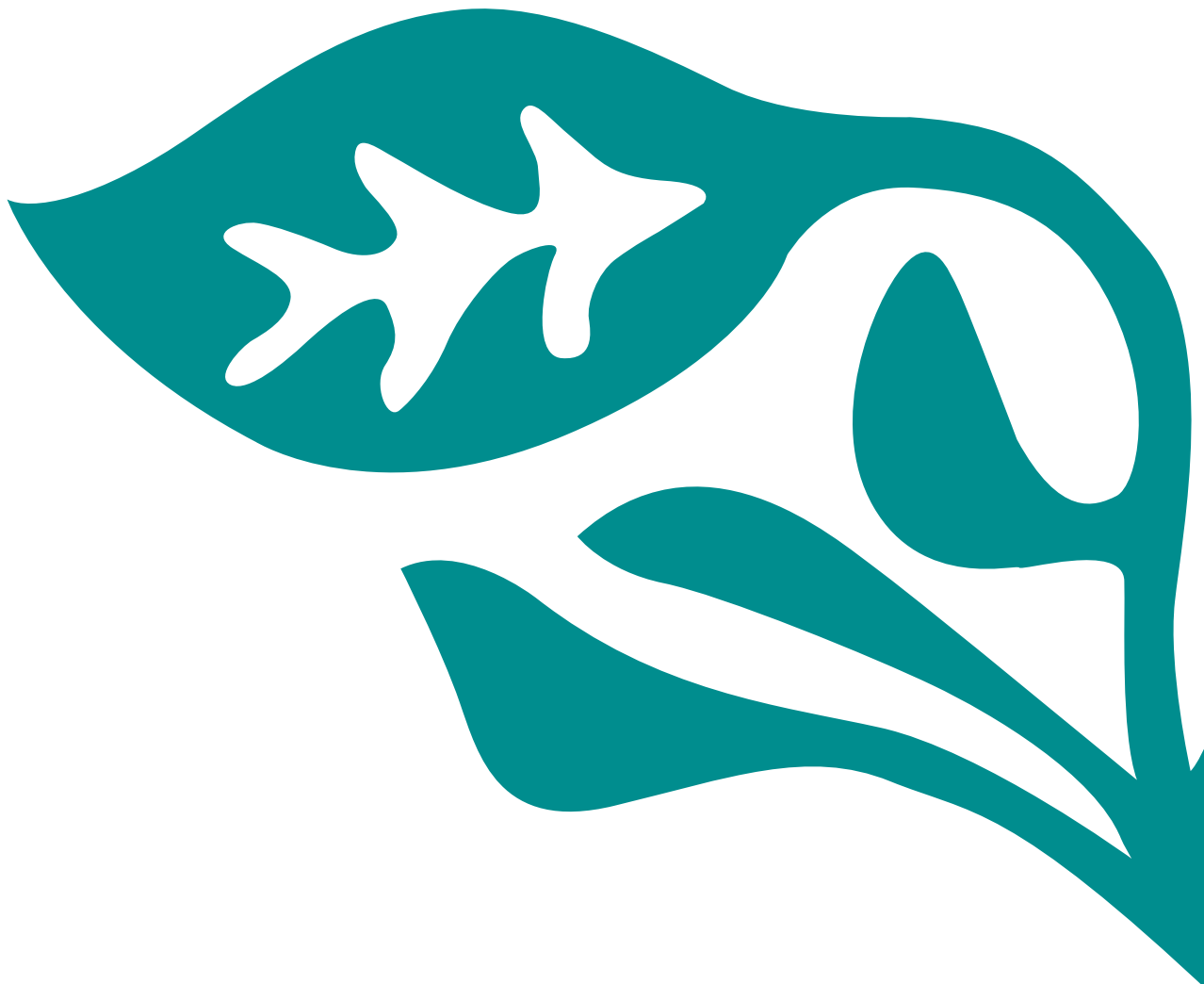
Since 2002, Grundfos' core values BE-THINK-INNOVATE have been further supplemented by the principles of the UN's Global Compact and together they provide the foundation for Grundfos' holistic approach to CSR. Being responsible is one of our core values and this focus on CSR is embedded in the entire organisation. CSR at Grundfos is a decentralised task that works across functions on both a local and global level. Furthermore, we adopt both a bottom-up and a top-down approach to CSR, which is essential and has resulted in strong commitment from the employees and management alike.

At the beginning of 2008, a Group CSR department was established in order to embrace the broadened CSR agenda. The purpose of the department is to strengthen and enhance the existing CSR work and to provide a support function that facilitates, motivates and advises all Grundfos companies and departments on their work with CSR. A further important task is to support the implementation of the Grundfos CSR strategy in all companies and to create a global CSR network organisation. The role of this global CSR network organisation is to strengthen our performance through knowledge sharing and to build on local CSR ambassadors, which are our driving force.



“ Our cooperation with Grundfos has given Yuchai a technological lead in our market. We expect to show Chinese legislators how Chinese companies, based on European technology and partnerships, can contribute to the reduction of CO<sub>2</sub> and NO<sub>x</sub> emissions ”

*Dr. Li Qin, Senior Technical Advisor to the CEO,  
Guangxi Yuchai Machinery Company Limited, China*



# PRODUCT

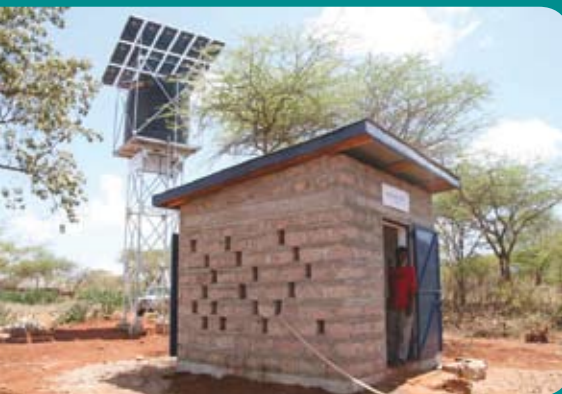
With Grundfos' expertise and customer orientation, we provide the world with sustainable product solutions, while creating a competitive edge for our company. This is what we mean by shared value. Our products create value for our customers by ensuring high quality and customised solutions and, furthermore, we consider our innovative products to be part of the solution to the urgent challenges the world is facing today.



# Grundfos brings

## When **water** becomes responsible business

Pump and mobile phone technologies go hand in hand in Grundfos' business concept LIFELINK, which represents a new era in rural water supply.



*The LIFELINK system*

The business concept targets rural communities in Africa, Asia and Latin America with a sustainable supply of safe drinking water at an affordable price.

LIFELINK is business, not charity. It allows the consumers to pay back the system investment, slowly but surely - simply by paying for the water they tap. A LIFELINK System is a single point water supply with a submersible borehole pump, fed with energy from solar panels. Water is pumped to an elevated storage tank from where it is led by gravity to a tapping unit in a small building. The tapping unit also serves as the payment facility.

The water is paid for via mobile phone banking. The money is paid into an account at the mobile phone company and then transferred to the financing bank with whom LIFELINK has partnered. After taking its share, the bank transfers the balance payable for the contract between the community and LIFELINK to cover service, maintenance and spare parts for a five-year period. If anything is left, it goes back to the community's own account. Once the community has repaid the system investment, it owns the system and can invest the income from the water in new projects.

This closed payment system prevents cash being exchanged between people and makes the concept transparent, so anybody with special interest and access, such as financing or donating institutions, can follow the financial performance of each community via the Internet.

A special surveillance facility even makes it possible to see how much water is being tapped and displays alarms so LIFELINK's service organisation can take immediate action, should any problems arise. Thus, the system's sustainability not only deals with the social and environmental aspect of the use of solar energy, but also the financial aspect.

The chief of a village in Kenya says: "I had an idea that this new water system would attract more people to our place. But I am surprised that we have been able to sell so much more water than before. It has almost tripled. I have a vision of seeing these LIFELINK systems in many more communities in our constituency because I see them as a motor of development. People have more time to do productive work, cultivating and selling crops will be much easier and peoples' health standard improves because they don't need to take water from polluted sources."

# water to life...

African woman waiting to tap water

## FACT

### Facts about LIFELINK and Grundfos

- LIFELINK is the Grundfos Group's first step into the so-called Base of the Pyramid (BOP) market: The four billion people in the world who live for less than two USD per day.
- LIFELINK was launched in November 2008.
- LIFELINK is business with a responsible approach, closely connected to Grundfos' CSR policy.
- A LIFELINK system operates on solar energy and has a capacity of 8-16 m<sup>3</sup> per day.
- By paying a water tariff similar to officially recommended tariffs, a community can pay back a LIFELINK system over 5-7 years.
- Banking via mobile phones is becoming widespread in many countries in the developing world because traditional banks are less present in rural areas.
- Grundfos has a solid record on providing access to water for more than twenty years through our well tested solar or wind powered pump solutions. Since 2002, we have installed some 50,000 sustainable SQ Flex pump solutions of which about one third contribute to ensuring a reliable supply of water in developing countries.

[www.grundfoslifelink.com](http://www.grundfoslifelink.com)

## FACT

Grundfos contributes to the United Nations Millennium Development Goals by providing access to water to the poor.

[www.un.org/millenniumgoals/](http://www.un.org/millenniumgoals/)

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development



# Life has changed in Kudchalert Village

The quality of life has improved significantly in the Kudchalert Village in the Huai Khot District of the province of Uthai Thani, Thailand, where a Grundfos SQFlex system was donated to the village by a variety of organisations.

Before clean water was installed, the children of the village suffered from frequent attacks of diarrhoea and other trivial illnesses caused by the insufficient cleaning of the water used by the households of the village. Many of the adults also suffered from itching and allergic reactions to the dirty water.

After the installation of the pump systems, the children are fit and healthy and the allergic reactions in the adults have disappeared.

The wife of the village chief, Mr Surat Klonghand, has experienced improvements due to the new pump installations: "Before the pump system was installed, my wife had to walk a long way to get water. Now we have clean water right by our house," said the village chief.

The procurement of water for the households is primarily the responsibility of women in rural areas of Thailand, as in many other places in the developing world. Their conditions have been improved by the humanitarian project that has provided the village with a Grundfos SQFlex system.

Not only has access to clean water become much easier for every village citizen, but a further advantage is the ease at which the system can be repaired should it break down as a result of a lightning strike, etc. One of the four mobile Knowledge Centres included in the project trained some of the villagers in how to repair the system.

Mr Dumrongsak Punklang and Mr Wirachai Nasomchai from the Knowledge Centre said about the installation: "The combination of pumps with diverse

energy sources makes it an ideal solution for a village like Kudchalert, as it is very easy to use and demands a minimum of maintenance."

The partnership between Grundfos and the partly public company Solartron, a manufacturer of solar panels, shows that Thailand is now open to including the private sector in the solution of humanitarian issues.

This is warmly welcomed by the villagers, as life has become easier for them. At the same time, they can be sure that, although their water supply has become much more convenient, they are not stressing nature. The pump is driven by solar energy and if the sun should fail to shine on a windy day, the windmill will take over. On a calm and foggy day, a diesel generator takes over. But that is a very rare occurrence in Kudchalert Village.

*The chief of Kudchalert village, Mr Surat Klonghand, beside a tap with running drinking water.*

“Our ambition is to continue to be a solution provider when it comes to local community development and improving access to water for poor people. We call this inclusive business since it creates value for the local communities as well as for Grundfos”

*Irene Quist Mortensen  
CSR Manager, Grundfos Group*





Women in Kudchalert Village cleaning the solar panels used for the SQFlex system.

## Water for People

In 2008, Grundfos Pumps Corporation (GPU) in the US partnered with the international NGO Water for People. Two GPU employees and their wives volunteered to contribute with their expertise in water systems and management, and were sent to work on a Water Mapping project in Malawi, Africa. The purpose of the project was to survey local water sites and local citizens about access to clean water. The results gathered are used by Water for People and the local government to develop plans to improve access to local water. This project allowed GPU to continue with past efforts to support a project that focuses on improving access to water for underserved populations, but also to reinforce to the employees our commitment to CSR at a local and global level and the willingness to contribute where there is a need.

“We have built a network with other volunteers at Water for People, which has established a strong foundation for a future relationship,” says Bob Parks, HR Manager at GPU

Water for People helps people in developing countries improve their quality of life by supporting the development of locally sustainable drinking water resources, sanitation facilities and health and hygiene education programmes.

Source: [www.waterforpeople.org](http://www.waterforpeople.org)

**FACT**

**UN International Decade for Action: Water for Life, 2005-2015**

The UN proclaimed the years 2005 to 2015 to be the International Decade for Action: Water for life. The purpose of the Water for Life Decade is to bring the importance of water into focus, and to create campaigns and promote the efforts that can help attain the Millennium Development Goals that relate to water.

The focus areas of the Water for Life Decade are:

- Water for women
- Water for sanitation and health
- Water for food, agriculture and rural livelihood
- Water and disaster risk reduction
- Water for biodiversity and the environment
- Water for energy

[www.un.org/waterforlifedecade/](http://www.un.org/waterforlifedecade/)

**FACT**

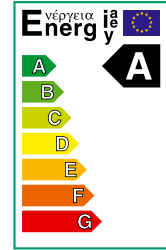
**The REWARD programme**

In January 2007, the two companies Solartron and Grundfos joined forces in a project on Renewable Energy Water and Rural Development, in short “REWARD”.

This programme aims at introducing cost efficient solar pump solutions to water problems in rural Thailand. The initiative is partly financed by grants from the Danish Development Agency, DANIDA under the Partnership Facility Programme, which contributes to reducing poverty through facilitating improvements in the environment.

Solartron PCL is a pioneer of solar technology in Thailand with over 20 years’ experience. The company produces and installs solar panels.

# A-labelled Grundfos pumps gaining ground



Circulator pumps are responsible for up to 15 per cent of the electricity consumption in private households, and in the EU, 140 million circulator pumps used for the heating of homes account for a consumption of over 50 TWh a year and the emission of 23 million tons of CO<sub>2</sub> a year.

To promote the development and use of energy efficient circulator pumps, a European competition was held by the EU project, Energy+ Pumps, in 2008. The Energy+ Award was given to the best energy efficient circulator pump in three different flow categories – the A-labelled Grundfos ALPHA2 was awarded the prize in two out of the three.

The positive growth experienced by Grundfos in 2008 in sales of its A-labelled circulator pumps, ALPHA2 and Magna, all over Europe, and especially in Germany where the market share has risen considerably, can largely be attributed to this.

The success can also be ascribed to our own efforts to create an increased understanding of the importance of reducing the energy consumption of legislators, business partners and Grundfos' other national and international networks. These include the Danish Electricity Saving Trust (Elsparafonden) and the German company CO<sub>2</sub>Online – a neutral, end-user-oriented climate protection network, appointed by the government to convey information about CO<sub>2</sub> reduction via energy savings.

The increasing market share for sustainable products such as our A-pumps is a major asset both for the environment and for Grundfos, providing the right technologies to meet the climate agenda.

Grundfos A-pumps sold between 2005 and 2008 have led to an annual energy saving of 536 million kWh or 0.536 TWh. Future legislation, due to come into effect in the EU in 2013, with tougher regulations to be introduced in 2015, will mean that only approx. 30% of the best A-labelled circulator pumps available on the market today can be sold in the EU. This will lead to a reduction in electricity consumption of 23 TWh a year in 2020 (equivalent to the annual electricity consumption of Ireland) and a reduction in CO<sub>2</sub> emissions of 11 Mt if no action is taken.



*Award winner  
A-labelled  
circulator ALPHA2.*



# Energy counselling to Chinese district heating companies

The potential for energy and CO<sub>2</sub> reductions is high

*Director Jin, Xinjiang Western Heating Group (in front of door) explains that Grundfos' counselling has resulted in a 28% reduction in pump energy consumption*



As in many other countries, China is placing extra focus on its energy consumption. This also applies to the Chinese district heating sector, where studies show that the energy consumption is two to three times higher than in other countries with comparable climates. The potential for saving energy is therefore high on the world's largest district heating market, but it demands insight into how outdated plants can best be optimised.

This is why Grundfos, with the support of Danida, has entered into a partnership with the company YSHT in Beijing to establish Bluefield Energy Technology Co., Ltd. By carrying out energy audits and preparing training programmes for the district heating companies, Bluefield Energy Technology will help them to manage their energy consumption. Bluefield Energy Technology was established on 1 January 2008 and has so far

established two "demo sites" – one in Jinzhou in northern China and one in Changji, western China – to demonstrate the benefits of energy audits and to develop new tools.

The purpose of the energy audits is to gain a holistic insight into the systems in which the pumps are used, in order to be able to reduce the energy consumption of the pumps. After taking extensive measurements of the system, an analysis is carried out to show possible suggestions for improvements as well as a Life Cycle Cost calculation. Based on the two demo projects, training programmes will also be prepared for other district heating companies to help them to promote technologies that reduce energy consumption and CO<sub>2</sub> emissions. Xinjiang Western Heating Group is one of the district heating companies that has signed up for the demo project.

Three of the company's 64 substations have been modernised and, according to Director Jin, this has resulted in a 28% reduction in pump energy consumption.

"Through our participation in this project, we have learnt about advanced Danish district heating technology and theory, and we hope that we will be able to continue this collaboration to promote Grundfos' energy saving technology," says Mr. Jin.

Grundfos' project representative is Torben Kynde Nielsen, Manager of International Project Sales. He has calculated how much energy could be saved if all Chinese district heating companies did the same. It transpires that potential energy savings amount to approx. 9.6 TWh a year, corresponding to about 11 Mt of CO<sub>2</sub>.

# Innovation Intent

Grundfos believes that 'Innovation is the essence' as signified in the company payoff Be-Think-Innovate. Our mission requires us to be a technological leader, and the company has repeatedly developed technologies and solutions with an eye for future needs. Today, many of the things the Group originally set out to do have been achieved, notably to become a leader in pump technology. In doing so, Grundfos has contributed to numerous innovations that have advanced the cause of sustainable development. An example is pioneering the use of variable speed drives in the pumping industry; a technology that automatically reduces a motor's speed in a pump when the energy level in, e.g. a heating plant does not require a high speed. This offers significant reductions in energy consumption and CO<sub>2</sub> emissions, and plays an important role in a new EU regulative concerning industrial motors. It is our ambition to continuously contribute to new advances in a fast changing world with many opportunities.

## Choosing our future

In 2008, we finalised an Innovation Intent that will serve to give focus to our long-term innovation efforts going forward to 2025. A fundamental element in the Innovation Intent is the strong message to our developers that our future should continue to build on sustainable

development. The Innovation Intent consists of three elements that each represents a challenge to our developers. However, the ultimate challenge and goal is that each significant new concept must meet all three challenges at once.

The first of the three challenges, "Put sustainability first", is about further reinforcing our efforts to make Grundfos a leading green company. It is born from a concern about climate change and the pressure on the environment as the growing world places greater demands on natural resources. The goal is to develop clean technologies, products and services that can reduce the pressure on the environment.

The second of the three challenges, "Be there for a growing world", is about the growing and ever more affluent populations in the emerging markets. It is about both contributing to their quality of life and securing our company's future prosperity. To ensure that Grundfos capitalises on the opportunities in the growing markets, we have to be there and strengthen our position. We also have to ensure that the growing world is sustainable in both an environmental and social sense. The goal is to provide more comfort to more people at a lower cost to the environment and to find solutions for the poorest in this world.

The third challenge, "Pioneer new technologies", is about creating solutions the world has never seen before. We will explore the needs of individuals and businesses in even greater depth. The goal is to meet these needs with new technologies and to expand into new categories and areas using our existing technologies in new and creative ways. This will entail adding new functions and purpose to pumps and rethinking our business models and value propositions.



GRUNDFOS THINKING ABOUT TOMORROW

**CONCERN**

**CARE**

**CREATE**



Put sustainability first

Be there for a growing world

Pioneer new technologies




**FACT**


**Innovation platforms**

When launching the Innovation Intent in 2008, the level of ambition was underlined by predicting that Grundfos will create solutions the world has never seen before. To do this, innovation efforts and investments will be focussed and prioritised by establishing platforms for innovation.

The goal for 2008 was to define and assess numerous platform candidates. Three innovation platforms emerged from this process and have been adopted. The common characteristic of these innovation platforms is that they address customer needs or problems:

 **Be there for Future Homes and Living in China**

The goal is to create differentiated solutions for domestic buildings in China.

 **Exploit Zero-Energy Commercial Buildings in USA**

The goal is to find our place in the market and support zero-impact commercial buildings.

 **Rethink Decentralised Water Treatment**

The goal is to meet the growing need for local solutions for environmental care.

# Creating shared value

Throughout 2008, Grundfos explored new solutions to meet the “green agenda,” growing global population and increasing urbanisation.

## Product developments 2008

### CR MONITOR

A new monitoring system for CR pumps is one of the latest additions to Grundfos’ growing range of systems for monitoring and controlling pumping installations. A CR Monitor observes trends in the efficiency of a CR pump. By comparing current efficiency with the pump’s potential efficiency, it can predict maintenance needs or the risk of breakdown. This early warning gives operators enough time to order spare parts and service for the pump before an abnormality has a significant detrimental effect on an operation. The operator experiences increased usability in that the CR Monitor processes and interprets the data from the pump. Instead of being presented with raw data, which require training and experience to interpret, the operator receives a simple warning or alarm and a description of what needs to be done.

By monitoring efficiency, the CR Monitor can warn of increasing or excessive energy consumption as pump parts wear out. By receiving timely notice of service needs, the operator can minimise energy wastage. This energy-saving potential increases with the size of the motor where a 1% drop in efficiency has a correspondingly greater impact on energy consumption. No data is yet available that can document the environmental impact of this innovation.

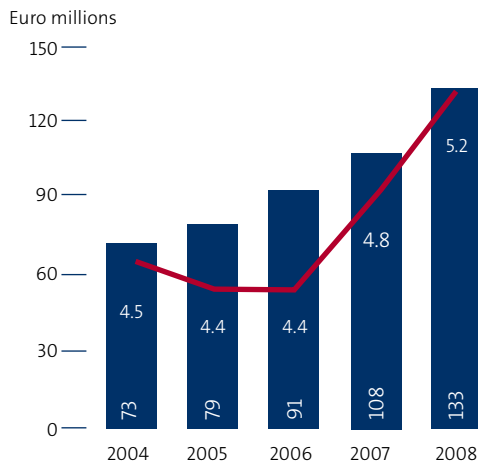
### HVAC OEM RENEWABLES

As reported in 2007, Grundfos has a programme for adapting circulator pumps used by Original Equipment Manufacturer (OEM) customers in central heating systems based on alternative energy, such as solar or geothermal energy. The goal of the development programme is to adapt circulator pumps to the special conditions that prevail for each specific energy source and thus achieve the high efficiencies associated with sister-pumps Alpha2 and Magna. In 2008, the Solar pumps launched the previous year have resulted in a 140% increase in sales for solar thermal systems. Development work has continued in 2008 with the implementation of the A-class technology in a range for geothermal heat pumps. These pumps are expected to become available in 2009.



# through our products

**Spent on Innovation**  
— % of net turnover



**FACT**

**Spent on innovation**

By investing 5.2% of the turnover on the development of new products in 2008, Grundfos continues to invest more turnover in such activities than other major companies in the global pump market. When developing new products, sustainable development is given high priority in terms of materials used, the lifetime of the product, energy consumption, etc.

## MGE 11 – 22 KW MOTORS

In 2008, Grundfos extended our own range of energy-efficient MGE motors, controlled by built-in frequency converters. The range of Grundfos-manufactured MGE motors now extends up to 22 kW; motors of this type above 7.5 kW were previously in-sourced. In terms of energy efficiency, there are several advances in that the motors have been upgraded to EFF1 efficiency levels from EFF2 (EFF1 is the most energy-efficient according to EU's energy efficiency scheme). A new functionality also automatically optimises motor efficiency on an ongoing basis.



The frequency converter used on the new MGE motors is specifically designed for pump motor operation. When combined with the expected economies of scale in production of the new frequency converter, this makes it more attractive to customers. Frequency converters for a variable speed drive offer highly significant energy savings, and Grundfos expects that the proportion of motors sold with this technology will increase. In 2008 alone, sales of MGE motors for pump operation have grown by 20% while the number of standard motor types has remained constant, indicating an increased use of this technology.

## CRN MAGDRIVE

As part of the ongoing efforts to provide customers with customised solutions for the specific problems they face, Grundfos launched the vastly improved CRN MAGdrive (sealless magnetic coupling) for our CR range. Magnetic couplings are used in situations where the pump must never leak, such as when pumping hazardous liquids. The CRN MAGdrive has until now only been available on the small CRN1 to CRN5. This innovation not only replaces the old version in these sizes but also extends the range to include CRN 10 to CRN 90.



Magnetic couplings have traditionally been characterised by enormous energy wastage and very high heat generation. Depending on the model, the innovations in the CRN MAGdrive reduce energy consumption by 50%. Material use is likewise reduced by 17-25%.

# New Business

## FACT

### New Business

Some of Grundfos' more radical innovation work falls outside our current mainstream business areas. These activities are based in Grundfos New Business A/S. The mission for New Business is to develop new business areas that over time can make significant contributions to the Group's core business and overall result. A central part of the vision is that New Business will further enhance Grundfos' responsible and sustainable innovation. In 2008, focus has been on further developing our six cleantech companies.

### Infarm A/S

Infarm develops solutions for handling animal manure in agriculture. One such solution, the  $\text{NH}_4^+$  slurry acidification system, improves slurry management and reduces ammonia evaporation, thus resolving a familiar odour issue in rural areas. The long-term goal is for Infarm to convert animal manure to fertiliser, clean water and energy products. 2008 saw a sales breakthrough for the  $\text{NH}_4^+$  solution and progress in the development of new total solutions for manure handling.

### Grundfos Sensor A/S

Grundfos Sensor develops unique sensors for measuring pressure, differential pressure and flow for applications in a number of industries. The sensors contribute to saving energy, water and other valuable resources. With the impressive progress shown in recent years,

Grundfos Sensor A/S was a spin-off from Grundfos New Business' activities in 2008 and set up as a business unit in its own right.

### BioBooster

Biobooster is a strategically important solution for realising our vision to provide local wastewater treatment as expressed by our Innovation Intent. Released in 2007, BioBooster has made inroads in the food and beverage industries in 2008, including the first sale outside the Danish home market. Users report a greater awareness of wastage in their processes, such as a milk processing company that has reduced milk wastage by approx. 400-1,000 litres/day. A Danish municipality (Viborg) has also commenced a six-month trial to test the system on municipal sewage.

In light of the water scarcity experienced in many parts of the world, BioBooster is extending its role from water treatment to water recycling. The membrane bio reactor (MBR) cleans effluent to the extent that it can be reused for service purposes.

### NoNOx

In partnership with Grundfos NoNOx, the largest Chinese engine manufacturer of engines for heavy diesel vehicles, Guangxi Yuchai Machinery Company Limited, became the first Chinese engine manufacturer to meet the strict demands on diesel emissions imposed by the City of Beijing. No-NOx is a urea dosing unit used for reducing harmful nitrogen oxide (NO and  $\text{NO}_2$ ) in engine

exhaust gases. The City required compliance to Euro 4 emission standards by 2008, two years earlier than in the rest of China. The NoNOx-based solution was installed on more than 3,000 buses running in Beijing in 2008. A total of 20,000 buses serve the city.

### Microrefinery

The Danish Technological Institute (DTI) successfully tested Grundfos' Microrefinery, a new process that converts sludge into second-generation biofuel. The tests conducted at DTI confirmed the combustion value of fuel oil produced from sludge taken from a dairy. The refinery product is seen as an alternative to fuel oil applications such as central heating.

Industrialised countries could replace approx. 6% of their fossil fuel oil consumption if all suitable sludge were processed in the Grundfos Microrefinery. Sludge from municipal treatment plants and industrial effluent is suitable for the process, and converting the sludge into an oil product is a cheaper means of disposal. Compared to biogas production, the Microrefinery doubles the energy utilisation.

A demonstration unit is under construction, and is expected to be fully operational by November 2009. It has a capacity of 200 kg sludge/hour, producing 20 kg oil, equivalent to the typical daily fuel consumption of a diesel-driven truck.

### LIFELINK

LIFELINK is New Business' most recent initiative. It is a business concept linked to Grundfos' SQ Flex pump solution, which runs on wind or solar energy, or a combination of both; this means it can be installed in remote areas without access to electricity. Furthermore, the business model developed for LIFELINK makes it possible for underprivileged people in developing countries to buy the pump solution (see also page 12).



# Customer relations



Customer satisfaction is one of our key success criteria, and customers should consider us a stable and long-term partner instead of just a component supplier. In our view, it is no longer enough to focus on the pump itself. A more holistic approach is required – one that aims to optimise the systems and contexts which our products are a part of. Regardless of whether we are operating in a mature market, in a developed country or in an emerging market, our goal is to raise the bar to reduce resource consumption.

For many years we have worked on optimising the efficiency of pump hydraulics and motors. More recently, this has developed into optimising the efficiency of the system around the pump installation. In China, a partnership has developed between Grundfos and the Chinese company, YSHT, resulting in a new energy auditing initiative for district central heating plants, see page 17.

### Being geographically close

We also attach great importance to being within short geographical distance of our customers, in order to better support them with the right solutions. In 2008, our local presence has been intensified, especially in our Asian markets. At the forefront, India and China presented growth rates of 16% and 22% respectively. The sales results in China reflect the enormous potential of this market, which we now consider as our second home market.

To further strengthen local contact with customers, in 2008, we opened companies in Kazakhstan and Vietnam. In addition, we established a so called STAR region focusing on cross-border competence-sharing in the emergent markets.

### Customer satisfaction

Measurements of customer satisfaction and loyalty are conducted every two years in order to assess our performance in meeting customer needs and to identify areas for improving customer relations. On a scale from 0 (low) to 100 (high), the 2008 survey measured customer loyalty and our image at a very satisfactory 78 and 77, respectively,

largely unchanged from 2006. Customers rated the quality of our sales personnel (77) and our products (80) highest. On this note, the rate of products reported faulty within the two-year warranty period was a satisfactory 0.61%. This represents a small improvement on 2007 (0.63%) and does not give rise to further action.

### Handling complaints

The 2008 survey highlighted the potential for increasing customer satisfaction by focusing on the speed of complaints handling. Overall, Grundfos scored well on complaints handling; customers are satisfied with Grundfos' general attitude towards complaints and with our ability to provide an acceptable solution. It is, however, in the interests of both parties that such matters are resolved in good time. A project is therefore underway to explore ways to speed up the process, and the objective is to see an improvement in this score in the next customer satisfaction survey in 2010.

#### FACT

#### **Expo Zaragoza 2008**

*Expo Zaragoza 2008 was held from 14 June to 14 September 2008. Grundfos was one of the main sponsors of the international exposition and we had the opportunity to demonstrate our commitment to ensuring sustainable development and the world's water resources – the major theme of Expo. Grundfos won the gold prize for best company pavilion at Expo Zaragoza 2008 and will be participating at Expo Shanghai 2010, which will have the theme: Better City, Better life.*



Customer satisfaction is one of our key success criteria

**UN Global Compact's Caring for Climate**

Grundfos has signed the UN Global Compact's Caring for Climate statement. "Caring for Climate" is a voluntary and complementary action platform for UN Global Compact participants who seek to demonstrate leadership on the issue of climate change. Grundfos supports the statement of setting goals, developing and expanding strategies and practices. Furthermore, the statement encompasses being prepared to publicly disclose emissions as part of the existing disclosure commitment within the UN Global Compact framework, that is, the Communication on Progress.

[www.unglobalcompact.org/Issues/Environment/Climate\\_Change/](http://www.unglobalcompact.org/Issues/Environment/Climate_Change/)

# Engaging in **public policy**

**Addressing climate change**

Grundfos strives to undertake responsibility as an active partner in the global debate on sustainable development. In 2008, we had a contributory influence on the political agenda aimed at promoting sustainable development and a wide range of "green" requirements to secure an appropriate government framework for promoting sustainable products.

As a member of The World Business Council for Sustainable Development, Copenhagen Climate Council and The Confederation of Danish Industry, Grundfos has influenced the political life ahead of UN COP15 in Copenhagen. Furthermore, we have participated in the dialogue about how leading companies throughout the world can contribute to creating an effective climate agreement.

In October, Grundfos took part in the top-level Chinese Danish Climate Change Conference held in China. The event was organised by the Royal Danish Embassy and the Chinese National Development and Reform Committee (NDRC). The conference brought key Chinese decision makers together with Danish and international experts to promote concrete steps to addressing the challenge of climate change. Focus was on the overall environmental challenges and on the ways Grundfos can make a significant contribution to meeting these challenges, through the proper use of technologies already in existence.

**Policy influencing**

Many Grundfos companies participate in lobbying by being part of local networks or engaging in partnerships with national or local institutions. Grundfos

has, in 2008, played a decisive role as chairman of The Danish Council for Sustainable Business Development, by taking part in the formulation of the Danish government's action plan on corporate social engagement.

Local community development is another important public issue. Grundfos Pumpenfabrik GmbH in Germany is currently a member of a regional development initiative led by the regional Chamber of Commerce. The purpose of the Chamber is to develop and implement a concept for sustainable economic development of the region and increase the attractiveness of regional employers and the general educational system.

**Making our voice heard to reduce CO<sub>2</sub> emissions**

Grundfos seeks relevant ways to take an active part in the dialogue regarding our surroundings and global issues. In 2008, we continued to contribute actively to place sustainable development high on the political agenda.

The work to establish voluntary A to G energy labelling for circulator pumps has previously been reported as one of the ways Grundfos has sought to influence developments towards lower energy consumption. The circulator pump is one of the main consumers of electricity in the home, comparable to a fridge-freezer or household lighting. At the same time, homeowners are largely unaware of the impact a low energy circulator has on their electricity consumption.

With Grundfos in a leading role, the European pump manufacturers' trade

association, Europump, developed and implemented the voluntary labelling scheme for circulator pumps.

New pump manufacturers have since applied to join the original group of labelling companies, see also page 16.

**Contributing as EU stakeholder**

In 2008, Grundfos played a prominent role as a stakeholder in the drafting of a new European regulation to reduce the electricity consumption of industrial motors. These motors account for approx. 30-40 per cent of the world's total electricity consumption, and the European Commission has calculated that the regulation will result in a reduction in electricity consumption of 5% in 2020. This amounts to 135 TWh – equivalent to the entire annual electricity consumption of Sweden – and an annual reduction of 63 Mt of CO<sub>2</sub> emissions.

A major share (85%) of the reductions can be attributed to the use of variable speed drives, which is included in the legislative structure. It was the energy-saving potential of variable speed drives that Grundfos brought to the attention of the European Commission, the Danish Minister for the Environment and members of the European and Danish Parliaments. Variable-speed drives have long been on the market, but have struggled to gain ground despite the potential benefits. Grundfos' analysis and documentation offered significant support to the Commission and its work to achieve its objectives with the new regulation. At the time of writing, the regulation is being scrutinised by the European Parliament.



### Playing by the rules

In our interaction with global and local stakeholders, Grundfos is committed to behaving in a responsible manner and in business we wish to be perceived as both fair and correct by customers, suppliers and competitors. It is therefore important to have processes and dialogue in place with internal and external stakeholders. In cases where Grundfos has nevertheless been subjected to legal action and sanctions, we consider it important to report on such incidents as part of our wish to maintain a credible dialogue with stakeholders.

In this context, it is regrettable to report that Grundfos was suspended from the list of approved suppliers to the headquarters of the United Nations in New York. This was as a consequence of the actions of a Grundfos subsidiary under the United Nations' oil for food programme.

We can otherwise report that the Grundfos Group has not faced legal actions for anti-competitive behaviour nor received a significant fine for non-compliance with laws and regulations. In terms of product responsibility, there have been no incidents of non-compliance with regulations or voluntary codes concerning health and safety impacts of products. There have been no substantiated complaints regarding breaches of customer privacy and losses of customer data. Finally, there have not been any significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

In terms of our marketing activities, processes are in place to ensure that Grundfos adheres to the applicable set(s) of regulations. For instance, as an integrated part of the product development process, a special naming committee ensures that the names of new products will not infringe on existing protected trademarks, etc. Furthermore, there is ongoing contact between Legal Affairs and Corporate Branding in connection with international marketing activities. This is to ensure that marketing messages and materials are in accordance with marketing regulations and intellectual property rights. However, in a civil action a German court upheld a claim by one of our main competitors that a co-branding marketing activity with the Hygiene-Institut des Ruhrgebiets was in contravention of German regulations for marketing communication.



Grundfos strives to undertake responsibility as an active partner in the global debate on sustainable development.

“As a Rotation Employee,  
I am fortunate to obtain and  
build valuable competences, due to the  
fact that I circulate within the company, both  
nationally and internationally. These  
competences benefit not only myself and  
Grundfos, but the Employee Rotation  
Programme also contributes to  
increasing the competence  
level in society”

*Anne Stine Caben, Rotation Employee at Grundfos Management, Denmark.*



# PEOPLE

Grundfos is the people. An innovative and enthusiastic workforce is essential for our present and future existence. Therefore, we need to recruit and retain the best and the brightest. We believe this is done by creating a great place to work, providing all Grundfos people with opportunities for professional and personal development. As a global company, we create job opportunities all over the world and we contribute to increasing the level of competences in the communities where we are present. This is shared value.



# Employees take environmental action

Several Grundfos companies around the world have come up with initiatives that reward their employees for taking environmental action. Some of them are small initiatives, but they are all meaningful and relevant to the process of making the world a greener place to live - with the employees as the most important facilitators of the sustainable actions.

## Little Environmentalist

Grundfos Pump (Wuxi) Ltd. in China has started the project Little Environmentalist. The purpose of the project is to save energy and protect the environment. The employees are encouraged to collect waste batteries from their own homes, bring their own reusable water bottle to work, turn off the airconditioning 15 minutes before leaving, print on both sides of printing paper, etc. The employees are rewarded with a water bottle, an environmental bag, a towel or something similar.

## Cost Savings Committee

In 2008, Grundfos (Singapore) Pte. Ltd. started a Cost Savings Committee. The purpose of the Committee is to find potential cost saving areas within the company (for example savings on water, electricity and airconditioning - both in

the production department and in the offices). The employees are encouraged to help save money within these areas, and thereby take sustainable action. The more the company saves, the better the chances are of reaching the goal of the company's profit targets, which is rewarded with a bonus for the employees.

## The company has introduced a scheme that pays employees one pound a day if they walk to work

Grundfos (Singapore) Pte. Ltd. managed to make quite a number of savings and extra bonus was paid out to all employees for hitting the stretch target in 2008. Grundfos Singapore is very satisfied with the results and will take the concept even further in 2009. It benefits both sides - Grundfos and the environment.

## Lunch and Learn Workshop

The Grundfos Pumps Corporation in the US arranged a Lunch and Learn Workshop which focused on how to be environmentally responsible. All employees were given a grocery tote bag to remind them of this and to encourage them to pass on the habit of recycling to future generations to protect the planet and enable them to meet their needs.

## Walk to work

Grundfos Pumps Ltd. in England is conscious of the strain placed on the environment through travelling to and from work. Therefore the company has introduced a scheme that pays employees one pound a day if they walk to work. The company also offers a 60% payback if public transport is used or a mileage allowance when staff share car journeys to and from work.

## Environmentally friendly cars

Company car drivers at Grundfos Pumps Ltd. in England are encouraged to drive a Toyota Prius, which is an energy efficient car in the medium sized range. If they select a Toyota Prius, a fifty-pound bonus is paid into their salary each month. In this way our managers act as role models in living our values on responsibility in practice.

## The Future Now Award

At Grundfos, "the simple, odd, green idea for energy savings and/or environmental initiative" will be awarded to strengthen local green initiatives at the Grundfos companies. We call them Footprint Initiatives.

All companies will encourage their employees to contribute with ideas and proposals, and to realise those good ideas. At the annual General Manager Meeting, the Future Now Award will be given to the company that has implemented the best green initiative - large or small - in the past year.

### FACT

*Grundfos employees have for years been encouraged to share their ideas on how to reduce Grundfos' negative impact on the environment, and in 2008 employees submitted more than 4,000 suggestions for environmental, health and safety improvements and more than 3,000 of these suggestions were implemented.*



# Recycling on **flexible terms**



*Used pumps being sorted at the recycling workshop*

In May 2008, an important milestone was reached when Grundfos A/S in Denmark celebrated the 40th anniversary of the establishment of the first flexible workshop for socially disadvantaged individuals.

For many years, Grundfos has contributed to promoting an inclusive labour market by employing people with reduced working capabilities, disabled, ethnic minorities and long-term unemployed. On 13 May 2008, we reached an important milestone. Grundfos A/S in Denmark celebrated the 40th anniversary of the establishment of the first flexible workshop for socially disadvantaged individuals.

Today, there are several flexible workshops in Grundfos, among others at Grundfos A/S in Denmark, Grundfos in Hungary and Grundfos in China. As a rule, we employ staff on flexible terms at all Grundfos companies. All of them deal with simple operations such as manual assembly and the production of smaller spare parts. One of the workshops has a special focus on the recycling of materials from pumps, computer hardware, production equipment and other sorts of products that have been sent to scrap. Materials that can be reused are sorted and sold – at a higher price than if they had not been sorted.

“The employees in the recycling workshop focus on the correct disposal of products which otherwise would not have been disposed of in the most environmentally and economically beneficial way.

At the same time, there are disabled employees who, like the employees in the other flexible workshops, cannot handle a normal job. Therefore this is an extremely sustainable solution,” says Mogens Lindhard, Manager for Social Responsibility at Grundfos A/S in Denmark.

There is a great potential for recycling at the flexible workshops in general. At the moment, Mogens Lindhard is working on a future strategy which, among other things, deals with potential working areas for the flexible workshops: “We need to identify different supply sources at the company. Many of the things we use in our everyday working lives at Grundfos such as phones, computer screens, coffee machines, etc. are disposed of in non-environmentally friendly ways. We have a job in letting all our colleagues know that we can help both them and the environment,” says Mogens Lindhard.

#### **Encouragement to other companies**

In 2008, Grundfos published the book *Get a grip on practice* – a guide to re-entry to the job market, which is a practical guideline for other companies, politicians and local authorities on how to promote an inclusive labour market. The book is also an encouragement to other companies to employ socially disadvantaged individuals with hands-on examples of how to do it.

#### **FACT**

##### **Facts about the recycling workshops**

- In 2008, approx. 138 tons of used pumps went through the recycling workshop.
- The pumps were sorted and reusable materials were sold. Over six tons of aluminium were sent for reuse at Grundfos’ foundry in Bjergringbro.
- The value of the many tons of materials from the recycling workshop amounted to more than €67,045 in 2008.
- The recycling workshop has eight employees. The employees are all hired on flexible terms, which mean that their individual needs are considered and their work day is planned according to these needs.

#### **FACT**

##### **Employment on flexible terms**

- It is Grundfos’ goal to have 3% of its workforce comprised of employees with reduced working capacity, disabled individuals, ethnic minorities and long-term unemployed. This goal was achieved in 2008. Exceptions are newly started/acquired companies or companies that have expanded their operations extensively.
- Grundfos A/S in Denmark has approx. 115 people employed on flexible terms.
- In 2008, Grundfos A/S in Denmark has continued to focus on integrating and developing socially disadvantaged individuals. Over 100 individual programmes have been carried out and all participants have experienced an increase in competence level.
- Elsewhere in the world, Grundfos also acts as a role model, taking social responsibility by integrating socially disadvantaged individuals. Grundfos in China is setting high standards in a culture where it is almost unheard of to employ people with reduced working capabilities.

# Focus on People

In 2008, Grundfos set out to realise the Innovation Intent (see page 18). We published a new and holistic Group Strategy that marked the first vital steps in transforming Grundfos into a truly global company. The Group Strategy states that Grundfos is the people. Not the buildings, nor the products – but the people. Today, we have 17,901 employees worldwide.

The fact that Grundfos is the people highlights our focus on developing our employees. As globalisation accelerates, new demands will be placed on our business, culture and employees. Our employees are very competent as it is, but we do not wish to rest on our laurels. We continually wish to adapt and build on their competences according to the challenges that lie ahead.

People & Strategy, a new group function established in 2008, focuses on the alignment of people competences and strategic development globally. People & Strategy operates as a global network and relation-based organisation involving people from all over Grundfos in global strategic projects driving change. We believe that strategies are transformed into results by motivated and enthusiastic people, which is why we involve them.

## FACT

### Employee satisfaction

An Employee Motivation Survey is conducted every second year. The latest survey was carried out in 2007. There is not, therefore, any data on employee motivation from 2008. The 2007 data showed motivation at a high level (73) and we strongly believe that this is also the case in 2008.

# A great place to work

At Grundfos, we aim to be a great place to work. We believe that having a dynamic workplace with room for the individual to unfold is important in order to secure a high level of employee motivation.

We aim to create jobs that provide individual employees with opportunities for professional and personal development. Developing employees is done by learning on the job, by challenging them and thereby improving their competences. Furthermore, our employees are given the option of further education and job change.

We encourage our employees to take an active part in the continuous improvement and innovation of our company and make suggestions for improvements. In 2008, this resulted in approx. 22,400 suggestions for improvements globally and approx. 17,900 were implemented in action plans. This is a decrease compared to 2007 when approx. 28,100 suggestions were made and approx. 21,100 were implemented.

Another initiative is the innovation project iShare. iShare aims to ensure that all Grundfos people have the possibility of having a relevant idea evaluated. The idea is submitted to a screening board which evaluates the idea and decides whether or not it should be published on Grundfos' intranet as inspiration. Through iShare, we wish to inspire and boost the generating of ideas within the Grundfos Group. We hope to stimulate a wealth of good ideas on a global level.

## FACT

### Awards

In 2008, Grundfos was recognised for being "a great place to work". Along with Grundfos Germany, Grundfos Denmark took eighth place on the Great Place to Work Institute's list of the 100 best places to work in Europe with over 500 employees. Furthermore, Grundfos Pumps Corporation in Kansas, USA was a finalist among ten other companies to receive a similar award for being "best place to work". The award was sponsored by the Kansas City Business Journal.





### Diversity and non-discrimination

Being a great place to work, we strive for diversity among our employees. Our goal is to reflect the society at large to ensure the best possible workplace and a dynamic working environment. An important factor in our continuous success is the mix of young and more experienced employees. We believe this to be important for us to innovate and develop the best possible solutions.

Non-discrimination is also an issue of high importance to us and most Grundfos companies operate in countries where governments regulate on issues such as discrimination, and all these companies comply with the national laws in their country of residence. In addition, most HR departments in our companies have established recruitment processes which prevent discrimination on the bases of gender, age, nationality, colour, religion and race. Furthermore, several Grundfos companies use different benchmarking tools to make sure that their practices are fair and consistent with the current practice. In some countries such as South Africa, we live up to the national obligation in fulfilling the criteria for positive discrimination. On a global level we have set a 3% target of including socially disadvantaged individuals in our company .

### Freedom of association

Most Grundfos employees have the possibility of representation by a trade union. In countries where there is not a long tradition for trade unions such

as China, the Grundfos companies have established different work committees. In 2008, for example, Grundfos Pumps (Wuxi) Ltd. in China established an Employee Congress Committee, which is responsible for monitoring company policies relating to employees and securing employees' rights. Furthermore, Grundfos companies have an 'open door policy', which provides employees with access to any manager, and employees are encouraged to speak their mind on any issue.

### Child labour

All Grundfos companies comply with the International Labour Organisation's convention no. 138 on child labour as well as local laws, and do not use child labour. Age control is part of all hiring processes, which includes screening and verification of certificates and testimonials.

Some companies do use young workers, e.g. Grundfos Manufacturing Ltd. in Hungary where it is possible to hire students over 16 years on a special student contract. In addition, in 2008 Grundfos A/S in Denmark had production areas evaluated to assess the safety for young workers, and certain areas were identified as suitable for young workers.

### Employees and their families

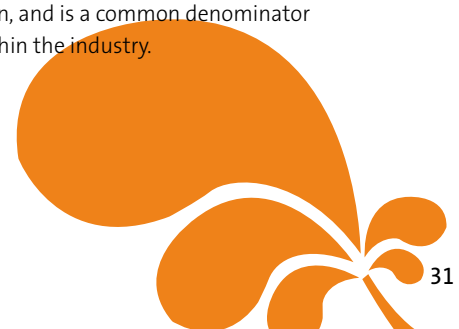
Grundfos companies generally pay their employees well above the minimum wage required by local laws. To make sure that the wages are comparable to the cost of living, several Grundfos companies use different benchmarking tools. When it comes to employee

benefits, Grundfos is well aware of the importance of taking good care of our employees and their families, especially when in need. In 2008, Grundfos CBS Inc. in the US donated \$5000 (€ 3,390) to employees' families who were affected by Hurricane Ike and whose houses were uninhabitable.

In 2008, Grundfos Pompe Romania S.R.L (GRO) paid for medical services at a private medical centre for the employees and the members of their families. For employees who subscribed to health sport programmes at a private centre, GRO paid for the subscription.

### Security forces

Approx. 50% of Grundfos' companies have some form of security force, and the companies confirm that all security guards at Grundfos are trained in when to intervene in security-related situations and how to use the minimal authorised force necessary. Most of the security service at Grundfos is outsourced, with the exception of the headquarters in Denmark where the security guards are employed by Grundfos and are required to attend an introductory course for security guards. Even though this course is not compulsory in Denmark, Grundfos has chosen to make use of it. This course is used by the National Commission of the Danish police when approving watchmen, and is a common denominator within the industry.

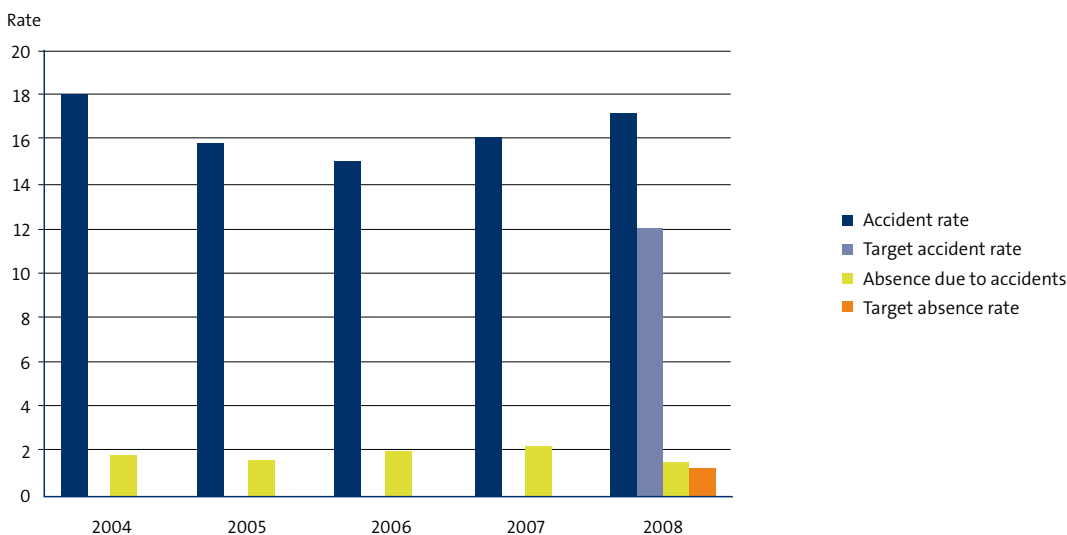


# The safety and well-being of our employees

At Grundfos we aim to help the individual employee attain a good balance between his/her work life balance, and to support employees in making sensible choices for a healthy lifestyle. We offer sports facilities, seminars on how to stop smoking, how to stay fit and slim down and how to minimise the strain on one's back when working.

As we strive to have a safe and healthy working environment, we are sorry to note that the targets for accident rate and absence due to accidents were not reached in 2008. However, the absence rate has improved, indicating that the accidents were less severe than the year before. There were no fatalities in 2008.

**Accident and related absence rate**



Accident rate (accidents per 1 million work hours)  
Absence rate (lost work hours due to accidents/1,000 work hours)

At DAB Pumps SpA, one of Grundfos' non-branded companies in Italy, a worker crushed a finger under a press machine at slow speed. The machine did not meet Italian regulations regarding speed of the press and safety precautions. The press machine has been improved with safety precautions and the risk assessment document has been updated. The company received a fine of €1,032.

An example of a clear reduction in accidents achieved through dedicated efforts is the Behaviour-based Safe Acts For Everyone (B>S.A.F.E.) process at Grundfos Pumps Manufacturing Corporation in the US. Over a period of three years, the company reduced the accident rate by 78% to 4.4.

**FACT**

**Behaviour-based Safe Acts For Everyone**

The B>SAFE Safety process at Grundfos Pumps Manufacturing Corporation involves:

- (1) employee-driven safety teams which conduct safety reviews of the various work areas and identify health & safety hazards for corrective action,
- (2) employees trained as observers in the behaviour-based safety process to identify at-risk behaviours that contribute to injuries,
- (3) an employee trained to provide emergency medical assistance and first aid,
- (4) a Wellness programme to help employees lead a healthier lifestyle both on and off the job, and
- (5) a Home Safety effort to increase employee education on hazards.





**FACT**

**Employee Development Dialogue**

*It is Grundfos' goal that 100% of our employees will attend an Employee Development Dialogue (EDD) every year. At the EDD the employee and his or her manager evaluate the past year and discuss the employee's wishes and opportunities for the next year. In 2008, 67% white collar workers and 47% blue collar workers attended an EDD. This is not satisfactory and action will be taken in 2009 to try to reach the goal.*

# Employee development and talent management

The Poul Due Jensen Academy (PDJA) is our international academy responsible for providing training and learning to the global organisation.

The training of our employees is key to the development of our employees and thus our business. In 2008, our employees received approx. 475,000 training hours and approx. 2,400 Grundfos employees from all over the world participated in courses at the PDJA or satellite academies. Approx. 1,200 employees attended courses at the PDJA in Denmark. The number is stable compared to 2007 when 1,247 employees visited the academy in Bjerringbro for Grundfos-specific training.

Under the headline "learning as a key to change" the PDJA will strengthen the business link and develop and globalise training and learning activities at Grundfos. Satellite academies have already been

established in India, Russia and China. The goal for 2008-2012 is to establish a new structure with learning centres situated in Bjerringbro, Denmark as well as two new places in the US and Asia. With our long history of developing our employees, we will continue to focus on this in the future.

In 2008, we started a global initiative to do something extra for the very best. Talent management is a strategic approach to manage and motivate talents. We believe that the initiative will make Grundfos an even more attractive employer for the best. The new approach will be kick-started by the Talent Engine V1 – a special package of identification, development and measuring tools. The Talent Engine V1 will develop talents through coaching, matchmaking with strategic assignments and global career planning.

The goal for 2009 is to identify approx. 100 talents globally. They will be matched with strategic assignments on a global level to boost their development and create strategic value for Grundfos.

At Grundfos, we want to employ the best of the recent graduates and we do this through our Rotation Programme, where graduates work in four different departments at Grundfos for a period of six months. The purpose of the Grundfos Rotation programme is to spot potential talents with a commercial or engineering education. During the programme the rotation employees gain insight into their professional and personal strengths. The future goal is to develop a truly global setup for the rotation programme and, in 2009, there will be special focus on developing the programme in China and later on recruiting on a global scale.

# Cooperation with universities

A way of ensuring a dynamic organisation and the development of our employees is cooperation with universities.



In 2008, Grundfos' Danish companies established a strategic and network based approach to cooperation with selected universities. And there is also focus on cooperation with universities globally. The Grundfos Group has an established connection with the IMD Business School in Switzerland, and emerging markets such as India and China are also engaged in collaborating with universities in order to harvest knowledge and ensure a flowing pool of talented potential employees.

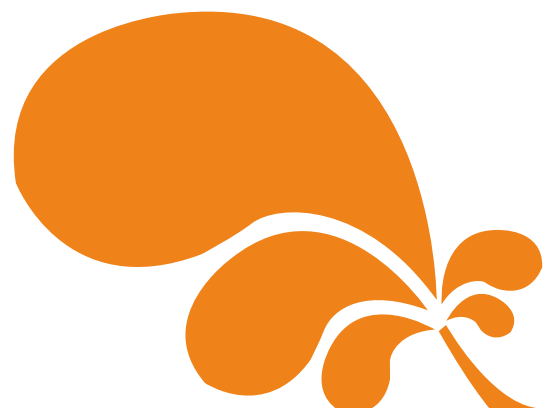
Many Grundfos companies increase the level of competency in the surrounding community by collaborating with local educational institutions.

In 2008, Grundfos GmbH in Germany supported a project called 'Neanderlab', which is a laboratory for students, aimed at inspiring them and helping them to find a suitable career path.

Over the past three years, Grundfos has arranged Grundfos Challenge, a week long competition for 42 engineering and economics students from the higher educational institutions in Denmark. The students are invited to stay at The Poul Due Jensen Academy to carry out an assignment relating to Grundfos' business. This allows us to cooperate closely with the educational institutions and the students gain insight into the world of Grundfos.

Many Grundfos companies also employ students as student workers, interns or trainees and cooperate with PhD students and other students writing a project. This gives the students an opportunity to gain experiences that can be of great importance when they graduate and apply for jobs. Furthermore, it creates value for Grundfos since we benefit from their knowledge and competences, and establish contact with potential employees. The number of trainees at Grundfos in 2008 was 426. This is a reduction of 27 trainees compared to 2007.

In 2008, Grundfos entered an innovative pilot project in cooperation with a Danish Business School named AVT – Institute of Executive Education. The cooperation launched the MBA programme "Globally Responsible Leadership in a Globalising World", a programme that fully integrates CSR aspects in the classical MBA curriculums. Grundfos is used as a life businesses case all the way through the course and presents the different CSR challenges that we face. The initiative is part of the international Global Responsible Leadership Initiative with the objective of promoting the understanding of what constitutes globally responsible leadership and to develop its practice. It is supported by the UN Global Compact.



A person in a blue uniform is painting a world map on a white wall. The map is painted in red. A wooden ladder is leaning against the wall, and a bucket of red paint is on the floor. The person is standing on the right side of the wall, reaching up to paint the map.

# Uncertainty in a global market

Since the end of 2008, Grundfos has been affected by the uncertainty in the global economy. Before the global recession, Eastern Europe and the Far East, for example, showed growth rates of 20-40 per cent. However, the new economic situation has turned the figures upside down.

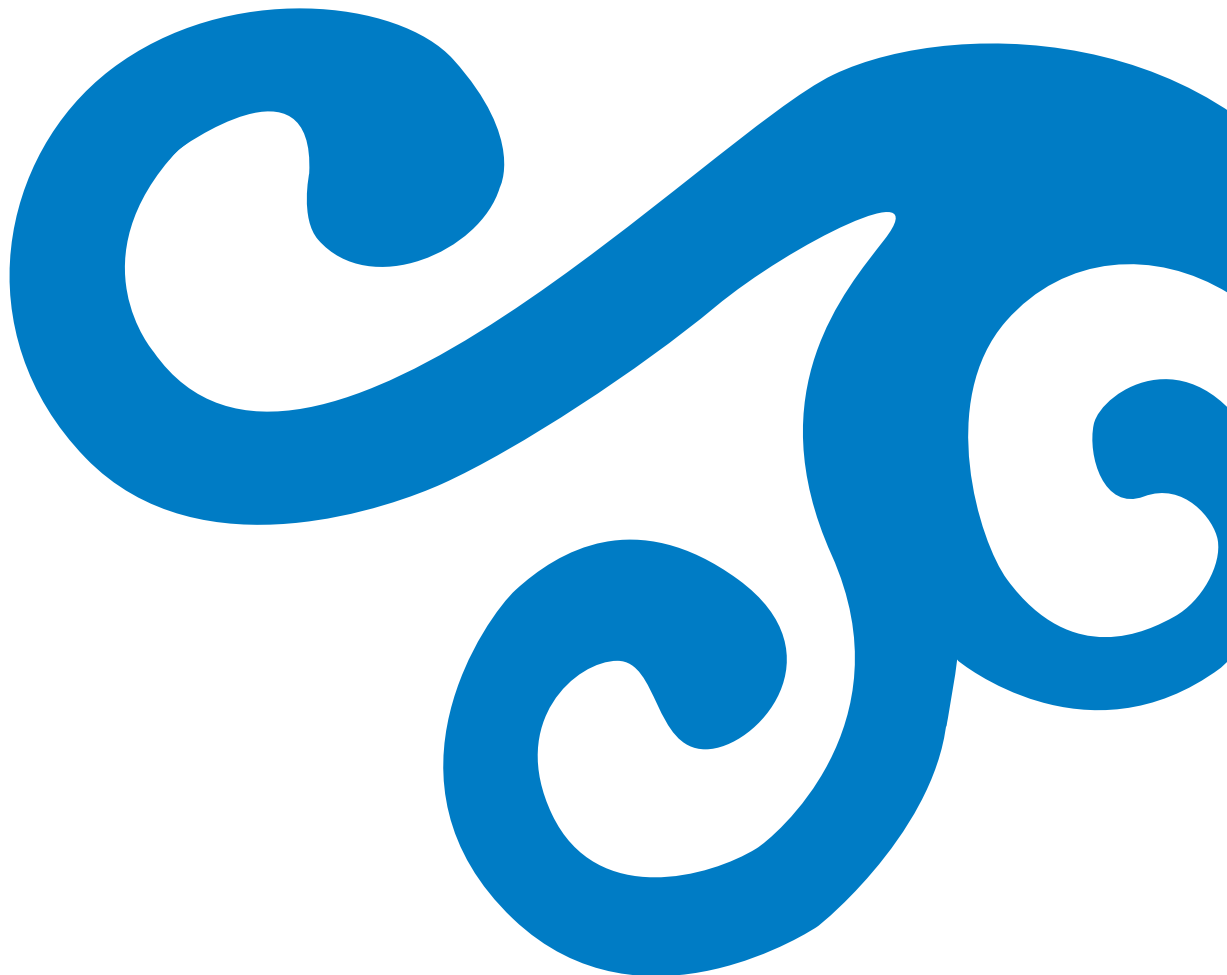
In order to secure the stability of the business and the foundation for future growth, it has been necessary to dismiss a number of employees at Grundfos companies around the world. As of 1 March 2009, we have reduced the global capacity by 427 employees. Additionally, 391 employees were laid off from Grundfos' companies in Denmark in April 2009.

It is important to stress that the laying off of employees is the last resort for cutting cost in times of crisis. Around the world, different Grundfos companies have implemented many cost saving activities to avoid laying off employees. Grundfos companies in the North American region, for example, have implemented a wide variety of cost saving measures such as reduced travel, reduced bonus and incentive programmes, hiring freeze on new positions and reduction of overtime hours. In Denmark and Hungary, the production companies have introduced work-share arrangements in order to avoid laying off employees.

Grundfos takes responsible practices into consideration when forced to lay off employees. In Spain, for example, we do not lay off employees if their spouse or partner has been laid off – even if the person is not employed at a Grundfos company. The same basic principle of never laying off both spouses from Grundfos is respected in our companies in Denmark. In addition, our intention is to limit the dismissing of people who have worked for Grundfos for over 22 years, people aged over 58 years or people employed under special conditions.

“GRUNDFOS AND OTHER COMPANIES IN CALIFORNIA ARE HELPING TO SET A GOOD EXAMPLE TO THE REST OF THE WORLD. WE WISH TO FOCUS HEAVILY ON ALTERNATIVE ENERGY FORMS, AND WITH GRUNDFOS’ FACTORY HERE IN FRESNO, WE HAVE YET ANOTHER ROLE MODEL FOR THE BUSINESS COMMUNITY”

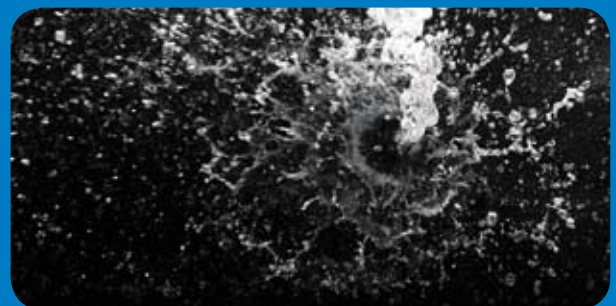
*Ashley Swearingin, Mayor of Fresno, California, USA*



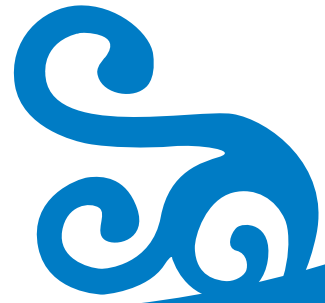
# PROCESS

Grundfos is present all over the world. We set high standards in all our companies and also when acquiring or starting up new companies. We take our own medicine by minimising our negative environmental footprint. It reduces our own costs and preserves the environment as the sound basis for our success as a business in the long run.

As business and society go hand in hand, we also create economic growth for the communities in which we operate. This is done through our engagement with stakeholders and support to improve the living conditions of local people. This is our social license to operate.



# The sun pumps energy in Fresno



*David Mortensen being interviewed about the solar panel system. David is, among other things, responsible for the environmental work at Grundfos in Fresno. He is also a member of an internal Grundfos working group charged with identifying the areas in which and how the Grundfos Group can reduce its carbon footprint.*



The Grundfos factory in Fresno, California, has replaced a significant share of its conventional power with pure CO<sub>2</sub> free energy generated by a solar panel plant of just under 30,000 m<sup>2</sup>.

#### FACT

- A total of 5,126 solar panels have been installed.
- The solar panels are controlled by computer technology to constantly absorb the sun's rays with optimal efficiency.
- On grey days, the system is still able to produce power.
- The system covers, on average, 40% of the factory's power consumption.
- The solar panels produce over 1 million kWh in the period from January to June.
- The system's solar-generated electricity has, over a period of three months, reduced emissions of carbon dioxide by over 299 tons.

"We have, without a doubt, made Grundfos in Fresno the world's largest pump factory partially powered by solar energy," explains David Mortensen, who is responsible, among other things, for the environmental work at Grundfos in Fresno.

The solar power system is owned by another company, which sells the pure energy to Grundfos. The company is responsible for the installation and operation of the solar panels. Grundfos buys the power in return.

"It is an innovative business model, enabling us to optimise our energy consumption. We had the space and increasing energy requirements, others had the sustainable technology. This way, we have avoided having to make a major investment and are not burdened with the responsibility for the operation of the system, and yet we still benefit from the latest technology in solar power systems. The agreement has secured us green power. We have created a win-win situation for all – not least the environment," ascertains David Mortensen.

The 5,126 solar panels have attracted positive attention in California. The mayor of Fresno has remarked on the initiative in the federal state, which is world-renowned for its major focus on energy consumption and, not least, its Governor, Arnold Schwarzenegger.

"Grundfos is showing the way. It is incredibly important for private companies to make an extra effort which will benefit the environment. As the mother of two children with asthma, I know only too well the consequences of poor air quality. Grundfos and other companies in California are helping to set a good example to the rest of the world. We wish to focus heavily on alternative energy forms, and with Grundfos' factory here in Fresno, we have yet another role model for the business community," asserts Mayor Ashley Swearengin.

For the Grundfos Group, the solar power system in Fresno is part of its strategy to reduce our own carbon footprint.

"We have given the market a long list of energy friendly and climate aware products, but we wish to take a dose of our own medicine throughout Grundfos. Fresno therefore already serves as a role model for the other production facilities we operate throughout the world," explains David Mortensen.

# CO<sub>2</sub> reduction launched

Grundfos has initiated a so-called Footprint project with the purpose of minimising our negative footprint – or impact – on the climate.

When planning how to go about it, we decided on two directions. One direction, which we call the Product Carbon Footprint, is based on the individual product and thus only the emissions related to the production of this particular product.

Having carried out comprehensive Carbon Footprint calculations of three dosing pumps by means of the so-called Life Cycle Assessment (LCA) method, we now have a model indicating how, after a well-considered prioritisation, we can calculate the Carbon Footprint for other pumps in the years to come. The idea is to use the footprint externally as docu-

mentation for customers who request it, and internally for the development of more sustainable products.

The second direction is based on the total CO<sub>2</sub> emissions from Grundfos' global activities, e.g. the total production, operation of buildings, transportation of components and business trips. Our strategy for minimising our total CO<sub>2</sub> emissions initially concentrates on reducing the energy consumption, but we are also working on plans to convert to CO<sub>2</sub> neutral energy forms.

We collected data on CO<sub>2</sub> emissions from all our companies for the first time in 2008. The data collection included CO<sub>2</sub> emitted directly from our on-site boilers and indirectly from the consumption of electricity and heat produced externally.

The data on CO<sub>2</sub> emissions was collected in accordance with scope one and two of the Greenhouse Gas Protocol.

[www.ghgprotocol.org](http://www.ghgprotocol.org)

*Group Environment Manager  
Helle Gitz-Johansen illustrates a potential  
scenario in a climate strategy.*



# Holistic management

We understand Process as the operation of our company. It includes the manufacturing of our products, logistics and the process of starting up new sites or acquiring established companies. It also includes the process of management and the way we are present in the surrounding societies.

Grundfos uses a holistic management approach known as the Business Excellence model. With the Business Excellence model we measure a broad range of aspects in our companies and, based on the assessment of the individual company, strengths and suggestions for improvements are identified.

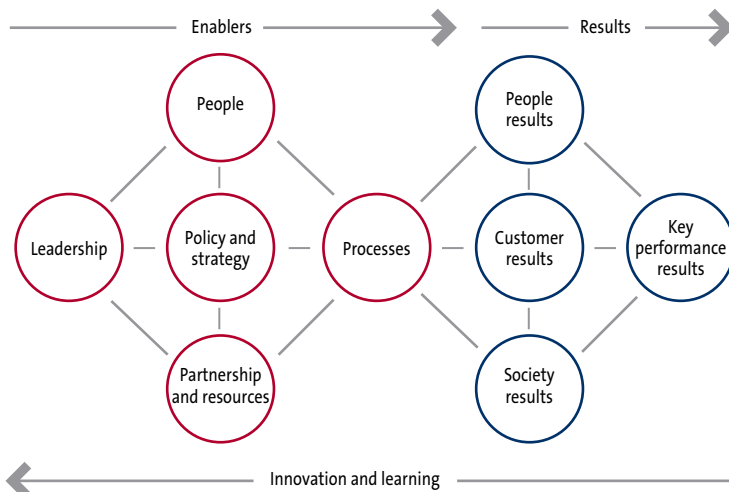
We assess how well we perform in leadership, how we run our processes and with what result, not only on the financial side, but also the satisfaction of our stakeholders, employees, customers and the society around us. The non-financial performance is a significant part of the assessment. The BE model helps us to learn and grow by working with continuous improvements.

All Grundfos companies must work according to the Business Excellence philosophy to create a common management language and the same way of thinking. In addition, the model supports the realisation of our company values.

Under the membership of the European Foundation for Quality Management, EFQM, we explore the benchmarking opportunity together with other European companies such as Bosch, BMW, Philips, Solvay, etc.

Today, approx. 75% of the sales and production companies in the Group use the Excellence model as the overall management philosophy. In 2008, five companies had their first assessment based on the model. These were: Norway, Russia, the Baltic countries, Hungary and Mexico.

## The Business Excellence model





# Going **global**

## Starting up new factories

To realise our Group strategy of becoming a truly globalised Grundfos, we have to expand into new areas and countries where we are close to our customers.

In 2008, a new production site was inaugurated in Mexico, the factory in Suzhou, China, was expanded and preparations were made for a new factory in Serbia.

When deciding where to locate a new company, we take market and local conditions into consideration.

Group Production is responsible for finding new localities. First, a feasibility study is carried out to assess various parameters. During the feasibility study, we conduct interviews with other companies already established in the area and with the local municipality. We also take a thorough look at the local culture. Issues such as infrastructure, legislation, demography and tax are also important;

however, we need to be convinced that the local municipality is interested in cooperation.

When Grundfos has located a new site, we start to build the facility and the organisation and arrange for production. Grundfos' values and basic manufacturing principles are the foundation of the new site. In addition, adjustments are made to fit the given local culture and conditions. Our previous experiences show that this approach creates value for Grundfos and for the local society.

Another aspect that benefits the society is Grundfos' high level of Environment, Health and Safety (EHS) performance, which we will never compromise on, even though the legislation in a country might be on a lower level than Grundfos demands. A specific example of this in 2008 was the relocation of a production line from Denmark to a new site in Mexico. Epoxy is used on this production line, and, in Denmark, it is a legal requirement to provide training in working with epoxy, but not in Mexico. However, to make the safety of work as good as possible we trained our Mexican employees in working with epoxy. In doing this, Grundfos contributes to raise awareness among our own employees as well as increasing labour standards in the surrounding society.

2008 has seen an increase in Grundfos' investments outside OECD, from 12% in 2007 to 20% in 2008.



# The Acquisition of established companies

Grundfos has acquired a number of established companies over the past few years. The acquisition process includes an assessment of what Grundfos stands to benefit from buying the companies as well as potential risks.

When acquiring an established company, it is important for Grundfos to assess the company's commitment to the Environment, Health and Safety (EHS) work, as the company may not give EHS as much focus as Grundfos does, but as long as their company values are equivalent

to Grundfos' and the corporate culture within the companies are aligned, the foundation for advancement exists.

In 2008, Grundfos acquired Yeoman Chicago Corporation, an existing pump manufacturer in Illinois, USA.

Acquiring companies creates shared values. Grundfos expands its portfolio as well as its presence in new geographic regions and markets. In 2008, just under 3% of Grundfos' revenue growth came from acquired companies. At the same time, the local societies gain value, as Grundfos has a long-term vision for our

acquired companies to grow and secure local jobs in the future.

In addition, local communities benefit from the pro-active EHS work and environmental management conducted at all Grundfos companies. An example of this is the American company, Peerless Pump Company, which Grundfos acquired in 2007. Just one year later, in 2008, Peerless certified its environmental management system according to ISO 14001, living up to Grundfos' environmental policy.

“When Grundfos acquires a company, the focus is not on fast return of investment. The focus of the acquisition strategy is stability, growth and profit – in that order. For other companies it is just the opposite”

*Dean Douglas, General Manager Peerless Pump Company, Indianapolis, USA.*

## Sustainable buildings – a green field

40% of the total energy consumption in the world is related to buildings, which is why it is important to focus on sustainable buildings. In 2008, Grundfos therefore developed and implemented a policy for sustainable building design and this was communicated to all companies globally. This policy will be further developed in 2009, with a guideline for sustainable building design.

This guideline directs the framework for the operational approach Grundfos will adopt in the years to come with regard to our own sustainable buildings.

Grundfos is currently mapping the status of our buildings and the plans the companies already have for improvements in 2009. These include increasing insulation and rainwater harvesting.

The next production company we will build in Serbia will be a pilot case for a sustainable Grundfos building. It will be built on the basis of the policy for sustainable building design and it will be a case study for us to learn how to decrease the impact from Grundfos buildings globally.

# Supporting the surrounding community

Grundfos actively takes part in and supports the surrounding community – this is our social license to operate.

In 2008, support for the community included a wide range of initiatives relating to disadvantaged children, education and emergency aid.

We wish to become engaged in the local communities through a respectful stakeholder dialogue with all our stakeholders. An example of this is Grundfos Pumps Suzhou in China, which holds an annual Society stakeholder meeting in April. In 2008, 30 stakeholders were invited including suppliers, sub-suppliers, schools, Red Cross, officials from the local government, local community, etc. Suggestions from the stakeholders regarding Grundfos' CSR performance were discussed and presented with a view to achieving shared solutions. Two topics - environmental protection and charity to society - were in focus. Engaging in dialogue with the local communities provides Grundfos with a unique knowledge and know-how with regard to providing the most sustainable solutions.

Another way of supporting local communities is through co-operation and the donation of money, products or employee volunteer time to charities, non-governmental organisations, universities, etc. In Russia, the two Grundfos companies, Grundfos OOO and Grundfos Manufacturing Russia, have cooperated and created a charity initiative that provides beneficent aid to orphanages, asylums and nursing homes and SOS villages for orphans. Employees who wish to support the project apply for a monthly deduction from their salaries and the companies then double this amount.

Grundfos is also present when unexpected natural disasters such as hurricanes, flooding or earthquakes occur. In May 2008, China's Sichuan province was hit by an earthquake, which left many people in need of emergency aid. The companies in China and Hong Kong contributed by donating a significant amount of money to help the province.

#### **The Poul Due Jensen Foundation**

Based in Denmark, the Grundfos Foundation is the Group's largest contributor to causes that are not directly business-oriented. In 2008, the Foundation donated DKK 10,749,000 (€ 1,441,330).

The Foundation's donations in 2008 focused specifically on research. Common to much of the research involvement is that it relates to cultural exchanges. How can we ensure better integration? How is cultural diversity encouraged and not considered an obstacle within business and culture?

During 2008, Grundfos' primary owner, the Poul Due Jensen Foundation, granted financial support to a number of charitable causes. To underline the connection with Grundfos, it has become standard practice to call the Poul Due Jensen Foundation the Grundfos Foundation. In 2008, the Board of Directors specified four areas to which the Foundation would make donations.

#### **A. Research**

Support for research in which Grundfos takes a professional interest and which promotes high-tech research in Denmark.

#### **B. Design and innovation**

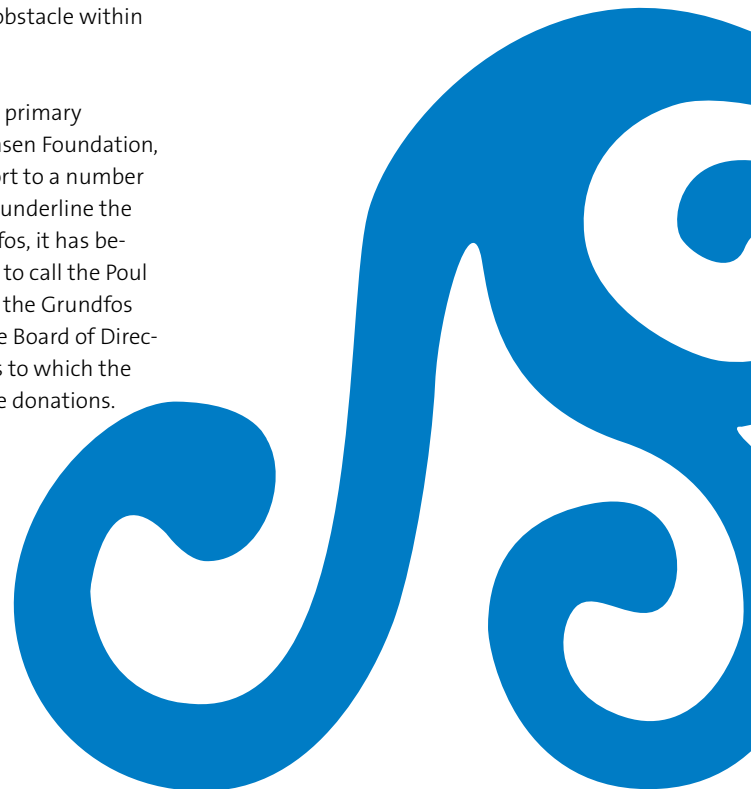
Support for the promotion of Danish design and innovation.

#### **C. Environment and nature**

Support for sustainable and resource-promoting activities.

#### **D. Social responsibility**

Support for vulnerable children and families and support for conflict research and integration.



# Taking our **own medicine**

## **Environmental, Health and Safety** management systems

For Grundfos it is not enough simply to fulfil legislation in terms of EHS work. Grundfos wants to go beyond mandatory requirements. To ensure transparency towards what we consider as “a higher level” in 2008, we developed a tool for conducting EHS Group Audits: The Performance Matrix.

This matrix is designed in accordance with “The Business Excellence One Model”. This tool makes it possible for the companies to be rated regarding EHS performance, enabling them to see what they should focus on to improve their performance. The tool also makes it possible to benchmark the companies and to identify ‘best practices’.

In line with the Grundfos strategy of taking sustainability to the next level, in 2008 more focus was placed on integrating acquired companies into Grundfos’ EHS management system. All Grundfos companies have been classified into groups that reflect the health and safety risks and environmental impacts of the companies.

Group EHS requirements have then been defined according to this specific classification of companies. A basic requirement for the companies is the implementation of EHS management systems according to ISO 14001 and OHSAS 18001. In 2008, one company was certified according to ISO 14001 and one company was certified according to OHSAS 18001. In total, 24 certificates have been issued. Nine companies hold both an ISO 14001 and a OHSAS 18001 certificate, whereas six companies hold exclusively an ISO 14001.

The requirement of EHS management systems is new for some companies. These companies should work to implement the systems before the end of 2011. For some companies, the systems have to be certified and, for other companies, the systems have to be implemented to a degree that is certifiable.

### **FACT**

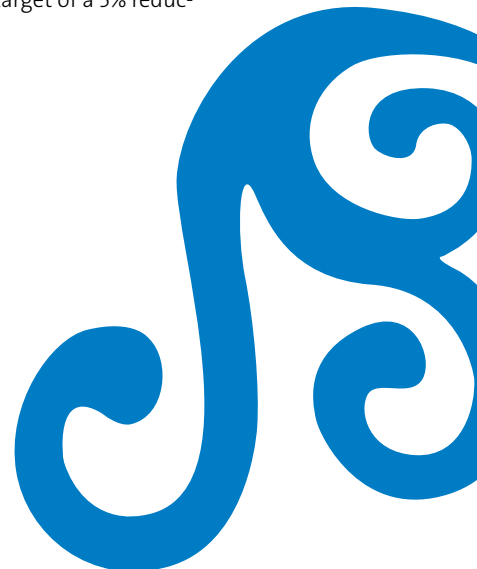
*In 2008, Grundfos Pumpenfabrik GmbH in Germany partly implemented an Energy Concept, the purpose of which is to save up to 80% of CO<sub>2</sub> emissions by optimising energy using processes and technologies. The fulfilment of goals within heating, cooling and air conditioning, lighting, power supply and compressed air was realised in 2008. Furthermore, in autumn 2008, the next evolution of the project was launched, the so-called Energy Concept 2.0, which focuses on renewable energy approaches.*

## **Water** consumption

Water consumption has been identified as an important environmental issue for all Grundfos companies. In 2008, the target of a 30% reduction in indexed water consumption compared to 2000 was achieved, as the result was a 34% reduction.

Sales companies account for 30% of the total water consumption at Grundfos. Therefore, a 2009 target of a 5% reduction in indexed water consumption compared to 2007 has been defined for sales companies.

The total water consumption in 2008 was 626 thousand m<sup>3</sup>.



# Energy consumption

Group Production is developing a strategy for 2009-2012 including targets for reducing energy consumption and CO<sub>2</sub> emission.

Until 2008, the Group target for production companies with the Grundfos brand has been aimed at reducing electricity consumption. Electricity accounts for two thirds of the energy consumption at these companies. In order to decrease CO<sub>2</sub> emission, the Group target for 2009 has been broadened to cover all energy consumption in operations.

In 2008, the target of a 25% reduction in indexed electricity consumption compared to 2000 was achieved. The overall energy consumption of operations at Grundfos companies in 2008 is shown in Table 2 by source.

The target for 2009 is a 15% reduction in indexed energy consumption compared to 2002 for production companies with the Grundfos brand.

**Table 2. Energy consumption of operations at Grundfos companies**

		MWh	tonnes CO <sub>2</sub>
Indirect energy	Electricity purchased	211,101	107,302
	Heat purchased	53,213	
Direct energy	Natural gas	63,465	16,246
	Light fuel oil	5,631	
	Diesel	5,281	
	Wood waste	1,004	
	Solar panels	5	

**FACT**

**Reductions**

At Grundfos Pumps Suzhou in China, 55% of the wastewater from the coating of pump parts by cathodic electrodeposition is returned in the process after treatment and approx. 12% is reused for flushing toilets. Grundfos in Denmark has achieved improvements in the same process and the full reduction will be realised in 2009. More efficient drainage of coolant from metal shavings for recycling at Grundfos in the UK has promoted less water consumption to make new coolant. Grundfos Pumps Suzhou spent 360,000 CNY (€34,969) on wastewater treatment in 2008. Local government recognised this effort with an environmental award - a cash reward of 100,000 CNY (€9,714).

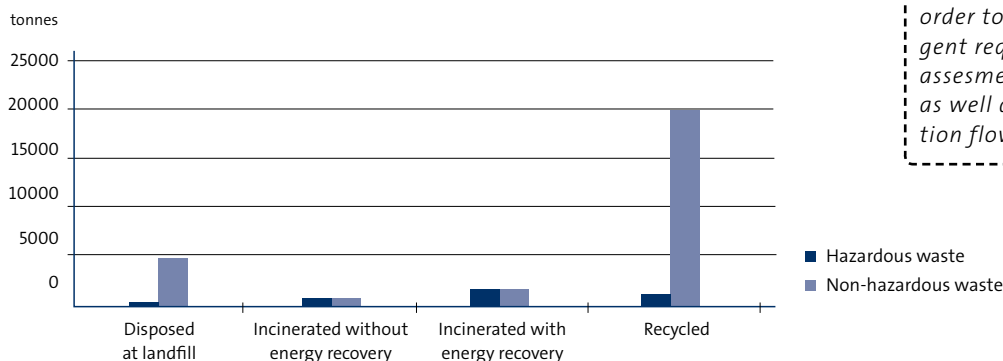
# Reduction of hazardous waste

The generation of hazardous waste is mainly an environmental issue for Grundfos production companies. The classification of hazardous waste depends on the local national regulations.

The target of a 60% reduction in hazardous waste was unfortunately not achieved in 2008, as there has only been a 26% reduction since 2000. The reason is that, in 2007, the improved purification of wastewater at Grundfos in Denmark gave rise to an increased amount of sludge, which is considered hazardous waste. The development continued in 2008. A project to reduce the amount of sludge will be implemented in 2009. At Grundfos in Taiwan, a similar development within wastewater treatment was experienced in 2008.

At Grundfos Pumps Suzhou in China, a suggestion from an employee increased the recycling of coolant for metal processing, thereby reducing the amount of hazardous waste significantly.

Almost 70% of all waste is recycled, as shown below. We will strive to reduce the proportion of waste that is disposed at landfill in the coming years.



**FACT**

**REACH**

During 2008 the new legislation for chemical management in EU – REACH – was launched. The objectives of REACH are to improve the protection of human health and environment. Grundfos has been working on the implementation of REACH in our business since 2007 through a bottom-up approach. To make sure that the strategy for implementing the new regulation of chemicals in EU is suitable for all our companies, a project team was appointed to develop a strategy as well as tools and training material. Furthermore, an important task when implementing REACH was to make a thorough assessment of our stakeholders in order to comply with the the stringent requirements of REACH. The assesment is underway right now, as well as an extended communication flow in the supply chain.

“Grundfos’ focus on quality, reliability and innovation is what drives us to continue to find improvements, and it is healthy for us to be associated with a clear market leader, whom we admire”

*Liam Shaw, Business Unit Manager, Morgan Technical Ceramics, United Kingdom*



# PURCHASE

Securing high standard suppliers is essential for Grundfos and we therefore aim to improve the suppliers' standards by focusing on responsible supplier management. Through building up trust-worthy relationships we want to ensure that our suppliers comply with Grundfos' supplier code of conduct, the UN's Global Compact, local laws and international norms. Our actions hereby contribute to increasing local labour standards and growth.



# Sustainable relationships give major benefits

A close and trust-based cooperation with a supplier of central components spanning over 40 years contributes to the long life and low energy consumption of Grundfos pumps.

When ceramic components are surrounded by water, as they are with Grundfos circulator pumps, they offer a number of advantages over conventional metal parts. Their extremely hard, smooth surface means that the ceramic parts are subject to less wear and offer minimal resistance. They function effectively, soundlessly and without problems year after year after year...

That is why Grundfos uses ceramic components in its circulator pumps. And the reason why the close and trust-based cooperation with the supplier, Morgan Technical Ceramics, has so far lasted for over 40 years.

Since the start of the cooperation, the British company Morgan has supplied ceramic axles and bearing rings to Grundfos. As these components feature in all Grundfos circulator pumps, Morgan has, over the years, become an increasingly important supplier, as pump production has risen.

### 33 million parts a year

Today, we also buy components for other types of pumps from Morgan and, according to Business Unit Manager Liam Shaw from Morgan Technical Ceramics, the annual deliveries to Grundfos factories in seven countries have, today, topped 33 million components.

trusting, mutually rewarding, respectful, challenging and colourful.

According to Shaw, Morgan is aware that the company's products are a central feature in the circulator pump, and that the quality of the components therefore has a considerable influence on the pump's performance and related costs.

Morgan has signed a Group Framework Agreement, which, in addition to product quality and prices, also covers environmental and working conditions.

As part of the agreement, Morgan undertakes to observe the principles contained in the Global Compact – UN's guidelines for companies in the work towards a more sustainable economy

Shaw explains that Morgan highly values the cooperation with Grundfos, which he describes using adjectives such as close, committed, professional,

“Grundfos' focus on quality, reliability and innovation is what drives us to continue to find improvements, and it is healthy for us to be associated with a clear market



*Susanne Skov Troelsen, Category Manager at Grundfos Strategic Sourcing: “In addition to the UP circulator pumps, Morgan also supplies parts for our CR industrial pumps and for the motors we manufacture in Mexico. And, in collaboration with us, they have developed a pilot valve, used by Grundfos in France”.*

*According to Liam Shaw, Morgan is aware that the quality of the components has a considerable influence on the performance of the pump.*







leader, whom we admire,” says Shaw and explains that the cooperation has forced Morgan to learn and to develop in order to be able to meet Grundfos’ high demands.

“No matter how good you think you are, there is always room for improvement, and if you are prepared to look for ways of benefiting both parties, you have the makings of a real partnership. Our 40-year long cooperation with Grundfos has benefited both parties in the form of commercial competitiveness and innovation within technologies and processes.”

**Environmentally neutral quality parts**

Morgan has a production department

that exclusively makes components for Grundfos. Advanced manufacturing processes have made it possible to achieve a high level of precision in the design of the components, and through the cooperation to improve the quality, the error rate has been brought right down to 29 defective components out of every million produced. This means less waste and lower CO<sub>2</sub> emissions as a result – according to Liam Shaw, just one of several sustainable aspects of the ceramic parts.

“The advanced ceramic material is recyclable and presents no danger to the environment,” he explains.

*Technical Manager Preben Jakobsen of Grundfos’ HVAC OEM division emphasises the high quality of the ceramic parts from Morgan: “We have carried out extensive testing, which shows that the parts do not wear – even after many years’ operation,” he explains. A pump he has kept from 1976 is visible evidence of this.*





# Responsible supplier management

## Partnerships and Supplier Quality Assurance

There is major focus on responsible supplier management when developing partnerships with key suppliers. As a rule, Grundfos will co-operate with suppliers for whom quality, the environment, ethics, flexibility and security of supply have high priority.

Corporate Social Responsibility is therefore an integral part of the Group Purchase strategy consisting of a set of ethical standards to respect when building and developing trusting relationships with suppliers.

A key part of our responsible supplier management is to evaluate poten-

tial and existing suppliers. We do this through our process of Supplier Quality Assurance, aimed at communicating Grundfos' values and ensuring that our suppliers live up to our supplier code of conduct (see page 51).

Responsibility is not only a visible element when evaluating suppliers at Grundfos; it is also part of contractual agreement made with the supplier. The aim is to increase their standards in accordance with local values as well as the UN Global Compact through the contractual agreement. If a supplier does not fully comply with the Grundfos principles and de-

mands, they are given support to develop plans of action to attain the required level of awareness.

The Supplier Quality Assurance process was further developed in 2008 and is to be implemented during 2009. The aim is to fully implement a global supplier approval programme as well as a uniform method of evaluating new and existing suppliers. Furthermore, a global team of Supplier Quality Assurance Engineers has been established to ensure alignment of the Supplier Quality Assurance process throughout the organisation and to strengthen the competences on a global level.

## Audits in 2008

During 2008, 27 Supplier Quality Assurance audits were conducted at group suppliers and, in addition, several local suppliers have been audited by Grundfos production companies. The focus of the SQA audits is quality, management, environment, work environment and sub-supplier management. These audits have not revealed any essential findings that violate Grundfos principles, but areas of potential improvement have been identified. To a high extent, the documented evaluation has led to an agreement regarding specific improvement activities to be carried out during 2009. These are included in the written supplier agreements.

Besides the SQA audits, Group Purchase has, in 2008, conducted four audits focusing exclusively on CSR aspects. These four CSR audits have been a pilot project to gain experience to be used for the development of future CSR strategies and processes related to suppliers.

The CSR audits were conducted by an external consultant company Cal-Safety Compliance Corporation (CSCC), a global provider of socially responsible supply chain consulting services. The focus has been on suppliers of raw materials, components or other materials used for direct production, and the suppliers audited were selected on the basis of a risk evaluation of the total supplier portfolio.

The CSR Audits were conducted in China, Poland and Italy, where CSCC has dedicated local consultants to each audit to ensure direct communication with the suppliers at all stages of the process. The purpose of the audits was to identify possible areas of improvement or immediate actions related to violations of local legislation or the UN Global Compact. The results of the audits show that some deviations were identified, but none of which required sanctions towards the suppliers. A few minor violations were identified, some of which were addressed upon ter-

### FACT

#### **Initiative to phase out the use of lead**

*The RoHS Directive in EU prohibits the use of lead and other undesired substances in products. None of Grundfos' products are subject to the directive; nevertheless, it is the Group's objective that all our products will operate in accordance with this directive. In the beginning of 2009, all use of lead will be phased out in the production of pumps and motors by Grundfos in Denmark. Additionally, we cooperate with our suppliers to phase out the use of lead in sourced pumps and materials. Work is in progress to phase out the use of lead in pumps and motors sourced outside EU. Sourced products account for 12% of the material potentially containing lead. In 30% of the sourced material, lead has been phased out.*

mination of the audit, to agree on immediate adjustments as well as deadlines for adaptation. The 2008 audits specifically underlined the potential of partnering with our suppliers. In our experience, better results are achieved when Grundfos shares knowledge and experiences with suppliers on how to sustain and improve safety procedures as well as to give advice on new environmental projects at the suppliers.

# Supplier Code of Conduct

CSCC consultants conducting CSR supplier audits in China

Group Purchase aims to ensure or improve the suppliers' standards by focusing on responsible supplier management, and we, therefore, expect our suppliers to act in compliance with the UN Global Compact.

Understanding and committing to the principles of the UN Global Compact is part of Grundfos' framework agreement, which is signed both by the supplier and by Grundfos. Since it can be difficult to fully understand the impact of UN Global Compact, we have composed a specific Grundfos Supplier Code of Conduct in 2008, which is to be widely distributed during 2009. This is to ensure a clearer understanding of the content and the obligations of the suppliers and to meet commitment to paragraphs not fully understood. The purpose of the Code is also to strengthen and support the supplier's management of social responsibility through dialogue and comprehensive communication. Therefore, the Grundfos Supplier Code of Conduct is a communication platform as well as a set of ground rules, with which the supplier is expected to comply.



FACT

## Supplier Code of Conduct

### • Human rights

*Business should support and respect the protection of internationally proclaimed human rights. The supplier must inform Grundfos of any human rights abuses known to him at the suppliers or in Grundfos' supply chain.*

### • Ethics

*The highest standards of integrity must be expected in all business interactions and the supplier must comply with all applicable laws and regulations. Grundfos expects all suppliers not only to take full responsibility themselves to comply with this Code of Conduct, but also to take direct responsibility for their suppliers regarding Corporate Social Responsibility.*

### • Employment practices

*The supplier must offer workers a safe and healthy working environment. Adequate health and safety policies and procedures must be established and followed. These include protection of workers from any form of harassment, observation of legal minimum standards or industry benchmark standards concerning wages and benefits, legally binding labour contracts for all workers, overtime, breaks during work hours, respect of workers' privacy rights, etc.*

### • Environment

*The supplier must strive to minimise harm on the environment caused by their activities. The suppliers must be aware of current laws relevant to the environmental impacts of the company's activities, products, services, and ensure legal compliance through training, awareness, operational control and monitoring.*

### • Labour standards

*The supplier must not interfere with the workers' right to form and join unions or to bargain collectively. The supplier must not participate in, or benefit from, any form of forced labour. Furthermore, the supplier must not engage in child labour, discriminate on the basis of race, colour, sex, language, religion, political or other opinions, caste, national or social origin, property, family responsibility, age or disability.*

### • Anti-corruption

*The supplier must refrain from bribing. If the supplier is faced with any form of bribery among their business partners, they must inform Grundfos immediately about the case.*

### • Community impacts

*The supplier must avoid involvement or complicity in human rights violations in interactions with state security forces. Furthermore, the supplier must establish and maintain emergency procedures to prevent all health emergencies and industrial accidents affecting the surrounding community or the environment.*

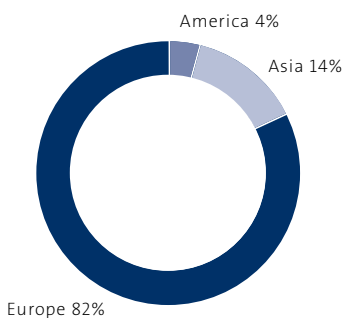
# Local sourcing of **production material**

Grundfos has an obligation to the local societies in which we operate. It is therefore our aim to build a global purchasing structure, which is founded locally, meaning that local purchasers are educated to select and approve suppliers for local sourcing.

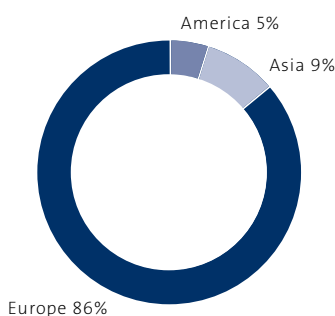
The strategy for Group Purchase is to source as much as possible in the region where it is consumed for production and, as the figures below indicate, our efforts in 2008 support this strategy.

The figures show the allocation of the total consumption of production materials in the three regions, Europe, Asia and the Americas as well as the allocation of the total sourced value in terms of production materials in the same regions. For instance, the figures show that 4% of the total consumption of production material is being consumed in America and corresponding to this, 5% of the total value of sourced products being sourced in America. Furthermore, it means that we are able to reduce transport costs and thereby CO<sub>2</sub> emissions, which benefits both Grundfos and society.

**Total value of sourced production material divided by location of supplier.**



**Total consumption of sourced production material divided by location of production plant.**



## FACT

### United Nations Global Compact

The United Nations Global Compact is a global voluntary initiative. It is for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles.

The goal is to build markets, combat corruption, safeguard the environment, secure decent labour standards and ensure social inclusion.

The results are unique partnerships and openness among businesses, governments, civil society and the United Nations.

The 10 principles cover the areas of Human Rights, Labour Standards, Environment and Anti-corruption

### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

### Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation

### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including blackmail and bribery.



# CSR demands from stakeholders

Grundfos strives to build trustworthy stakeholder relations and ensure high ethical standards in our business decisions.

Today, most of our contracting parties make demands for documentation of our policies and processes, and several Grundfos companies have also been screened by our customers on CSR issues, such as environment, labour standards, human rights and anti-corruption. No areas of major risk were

identified in any of these screenings. Anti-corruption is of high significance to Grundfos and we wish to fully comply with the demands and expectations in the same way that we place demands on our suppliers.

We continuously work with our Code of Conduct, which each year is signed by all managers. We incorporate standard clauses in all manager contracts and we educate all finance managers and members of our Ethics Committee.

**FACT**  
*In 2008, an extended version of Grundfos' Code of Conduct has been developed and it is to be implemented during 2009. The purpose has been to include all principles of UN Global Compact.*

## The **Ethics** Committee

The Ethics Committee has the responsibility of receiving and investigating reports of possible violations of Grundfos' Code of Conduct. The Committee also ensures that information is spread about the principles of the Code of Conduct. The Committee works as a whistle-blower for Grundfos employees, ensuring that anybody with relevant knowledge about abuse or risk of malpractice in respect of the Code of Conduct shall have the proper channels of alarm available to him or her. Issues regarding malpractice can relate to Grundfos employees and to customers, suppliers or any of our stakeholders who may have done something that violates Grundfos' Code of Conduct.

The Ethics Committee has now existed for two years and, in 2008, qualified reports were made to the committee. We are, however, happy to confirm that none of these reports included attempts of corruption.

Regardless of this positive outcome, efforts in this field will be expanded in 2009 to include newly established global "Compliance and Audit" function with an international team of internal controllers to increase the effective anti-corruption work.



*General Managers signing the Grundfos Code of Conduct*

# Grundfos

## about the report

This is Grundfos' third annual Sustainability Report. In 2008, we have worked on the development of our reporting strategy in consultation with Deloitte. A strategy that will bring our stakeholders and our CSR and business strategy in focus in our Sustainability Reporting.

### **Purpose of the report**

The purpose of the Grundfos Sustainability Report is to provide stakeholders with an overall fair and balanced picture of Grundfos' contribution to sustainability. Sustainability reporting is a journey and we believe we are making good progress towards achieving this objective.

### **Target group**

The Sustainability Report is aimed at our customers, business partners, suppliers, opinion formers, politicians as well as current and potential employees in particular.

### **Scope**

All companies owned by Grundfos are included in the report. Newly acquired companies are recognised in the Grundfos Group data as of the time of acquisition. We emphasise that the report is at corporate global level and it is not the intention to include detailed information that is primarily of significance to individual sites, processes, activities and products.

### **Reporting guidelines**

We have endeavoured to provide information that is in accordance with the principles of sound reporting practice. We have conducted a self assessment towards Global Reporting Initiative, G3, and have assessed this year's Report to be at a B+ level. The report also covers our reporting obligation in accordance with UN Global Compact's Communication on Progress.

### **Stakeholder analysis**

The topics, which are important for us to report on to our report users, have been identified through a number of activities. The majority of such activities are part of running the daily operations, hence understanding and responding to stakeholder concerns, whilst others are conducted with the purpose of developing sustainability reporting.

### **Inclusion of topics**

Key criteria for the inclusion of topics in the Sustainability Report are of relevance to Grundfos' long term strategy and of major importance to the report users. In overall terms, we categorise the topics as follows:

- Climate, energy, water and environment
- Employee conditions
- Business conduct
- Involvement in society

We have chosen to prioritise climate as the main topic in the 2008 report.

### **Data processing**

Financial data is obtained from the Group's accounting system. The environmental, health and safety data for the report has been collected, compiled and validated by the Grundfos Group's environmental division, whereas the HR data for the report has been collected, compiled and validated by the Grundfos Group's HR division. The environmental, health and safety data as well as the HR data are collected annually according to a fixed reporting procedure. Furthermore, the report includes results from a survey conducted with the purpose of improving data on local CSR activities related to community involvement and business conduct.

### **Perspective 2009**

We will continuously strive to improve our reporting. For the 2009 report, we will focus on refining our approach to identifying topics to report on, improving our process of obtaining data regarding the climate and CO<sub>2</sub> in particular, which have been identified as important topics and for which indicators are currently being established to enable reporting in the coming years.

For further information about reporting principles and practice please visit [www.grundfos.com/web/grfosweb.nsf](http://www.grundfos.com/web/grfosweb.nsf)

For questions concerning the report or its content please contact: Irene Quist Mortensen, CSR Manager, [imortensen@grundfos.com](mailto:imortensen@grundfos.com)



# Auditor's Report

## To the management of Grundfos Management A/S

We have performed a review of the Grundfos Sustainability Report 2008 ("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 on page 54, including the details on [www.grundfos.com/web/grfosweb.nsf](http://www.grundfos.com/web/grfosweb.nsf), and information reported by factories and other business units. By agreement, we have visited the company's factories in Wahlstedt, Germany and Suzhou, China, in order to evaluate whether data regarding employees and the environment have been documented, collected and calculated in accordance with Group instructions. Our review did not include the self assessment asserted on page 54 and GRI references asserted on page 59.

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 Wahlstedt, Germany and Suzhou, China, have been documented, collected and calculated in accordance with Group instructions.

Aarhus, 26.05.09



H.P. Møller Christiansen  
State-authorized Public Accountant

Deloitte  
Statsautoriseret Revisionsaktieselskab



Preben J. Sørensen,  
State-authorized Public Accountant

# Grundfos in brief

## Products

Grundfos was established in 1945 by the late Poul Due Jensen. With an annual production of over 16 million pump units, Grundfos is, today, one of the world's leading pump manufacturers and the world's largest manufacturer of circulator pumps, covering approx. 50 per cent of the world market for these pumps.

In addition to pumps, Grundfos manufactures both standard and submersible motors for the pumps, and the motors are also sold as separate merchandising. Grundfos also develops and sells electronics for monitoring, controls for pumps and other systems, new business products and concepts.

## Values

We sum up our values with the words: BE responsible>THINK ahead>INNOVATE. It is our responsibility, our foresight and our focus on creating ground-breaking solutions and ideas that have made us one of the world's leading pump manufacturers.

## Ownership structure

The Poul Due Jensen Foundation was established as a self-governing institution in 1975. Today, the foundation owns approx. 84.9 per cent, staff approx. 3.0 per cent and the founder's family approx. 12.1 per cent of the shares in Grundfos Holding AG.

## Management

Grundfos Group Management is domiciled in Bjerringbro

and has the following members:

Carsten Bjerg, Group President  
Carlo Prola, Executive Vice President  
Søren Ø. Sørensen, Executive Vice President  
Lars Aagaard, Executive Vice President  
Heine Dalsgaard, Executive Vice President

## Grundfos management A/S Board of Directors:

Niels Due Jensen, *Group Chairman*  
Lars Kolind, *Executive Director*  
Niels Christian Nielsen,  
*Professor of Copenhagen Business School*  
Thomas Lund,  
*Managing Director of Dansk Teknologi  
Udviklingselskab*  
Stine Bosse,  
*Group President of the Tryg Vesta Group  
(Resigned from the board at the beginning of 2009).*



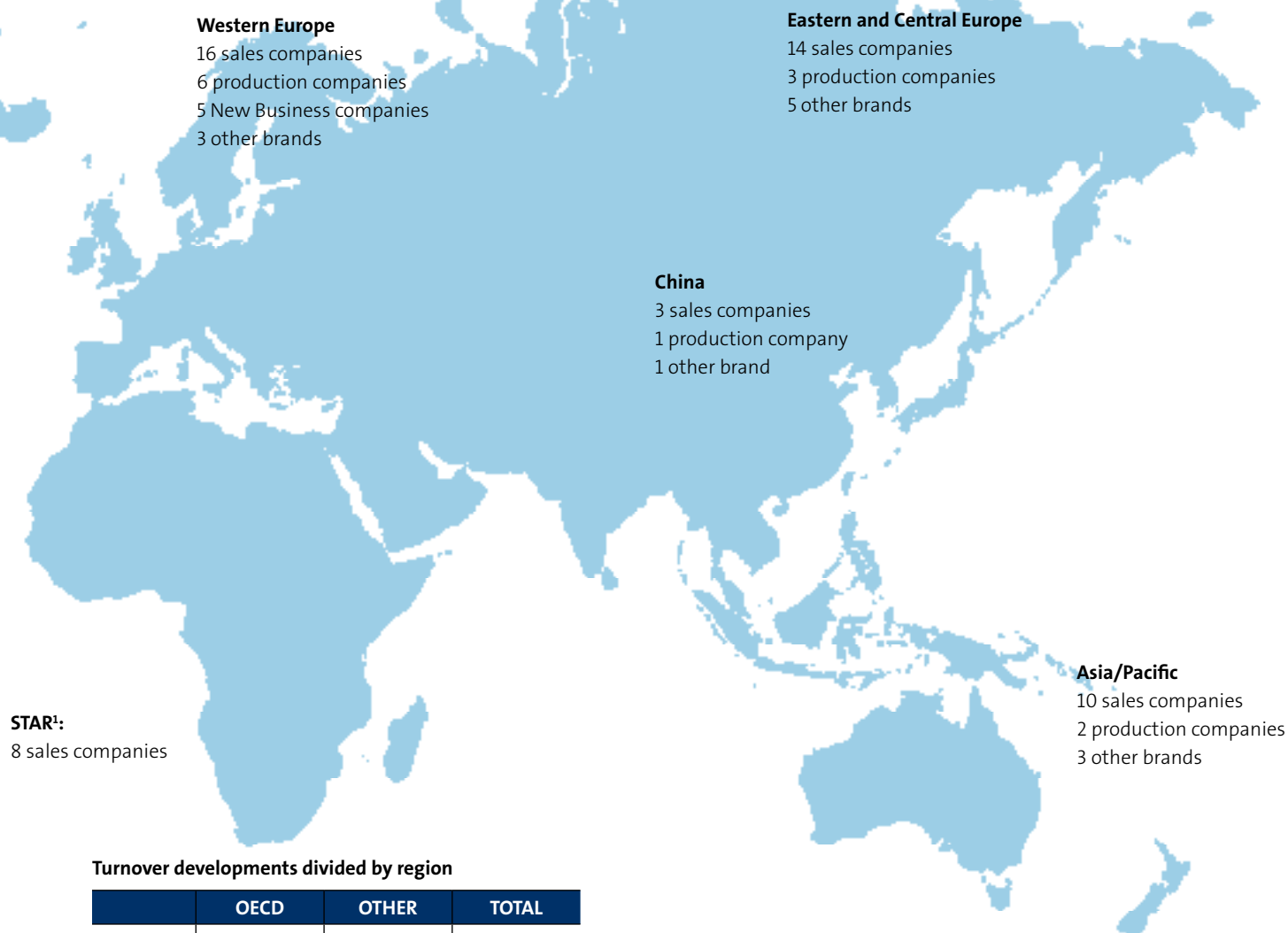
## North America

3 sales companies  
2 production companies  
3 other brands

## Key figures (in Euro millions)

	2008
Turnover	2,550
Ordinary profit before tax	129
Profit before tax as % of turnover	5.0%
Consolidated Equity Capital	1,032
Return on Equity Capital	6.6%
Total Assets	2,372
Number of employees	17,901





#### Turnover developments divided by region

	OECD	OTHER	TOTAL
2008	1,902	648	2,550
	75%	25%	100%
2007	1,742	515	2,257
	77%	23%	100%
Growth	9%	26%	13%

#### No. of employees per continent

	2008
Europe	13,200
- of which in Denmark	5,130
Asia	2,812
- of which in China	1,400
North America	1,384
South America	219
Africa	124
Oceania	162
<b>Total</b>	<b>17,901</b>

#### Investments in fixed assets

	OECD	OTHER	TOTAL
2008	157	39	196
	80%	20%	100%
2007	171	25	196
	88%	12%	100%

#### Cash flow statement

	2008	
Turnover	2,550	100%
Employees	718	29%
Suppliers	1,662	62%
Corporate Income tax	52	3%
Lenders	42	1%
For Growth	76	5%

<sup>1</sup> STAR refers to selected emerging markets and includes the countries: Brazil, India, South Africa, Dubai, Argentina, Turkey, Chile and Egypt

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## Read **more**

Global Reporting Initiative (GRI) .....	<a href="http://www.globalreporting.org">www.globalreporting.org</a>
UN Global Compact .....	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a>
World Business Council Sustainable Development .....	<a href="http://www.wbcsd.org">www.wbcsd.org</a>
Copenhagen Climate Council .....	<a href="http://www.copenhagenclimatecouncil.com">www.copenhagenclimatecouncil.com</a>

**GRUNDFOS** .....

[www.grundfos.com](http://www.grundfos.com)

Grundfos.com>about us:

- Total data basis for Grundfos' Sustainability Report 2008
- Annual Report 2008
- Grundfos values and policies

LIFELINK .....

[www.grundfoslifelink.com](http://www.grundfoslifelink.com)

Future Now .....

[www.future-now.com](http://www.future-now.com)

# Grundfos performance summary

The Global Reporting Initiative (GRI) G3 Sustainability reporting Guidelines are voluntary for organisations when reporting on the economic, environmental and social dimensions of their activities. This guideline has been a source of inspiration to Grundfos in the preparation of its sustainability reports for some years. This year, we have started applying the guidelines more systematically, as reflected in the table below. We have included all GRI performance indicators, which we entirely or partly comply with. Grundfos joined the Global Compact (GC) in 2002. A correlation between the GRI G3 guidelines and the GC principles is included in the performance summary.

				GRI reference	Global Compact
Future Now		Management's statement	p. 6	1.1	
CSR strategy		Management approach	p. 9	5	
Product	Customer satisfaction	Products reported faulty within the two-year warranty period	0.61%	PR5	
		Customer rating of Grundfos' image on a scale from 0 (low) to 100 (high)	77	PR5	
	Energy	Energy saved through sales of A-labelled pumps (million kWh)	536	EN7	Environment 8-9
	Access to water	Prevention of serious disease	p. 12,14	LA8	Human rights 1
	Public policy	Participation in public policy development	p. 24	SO5	
	Compliance	Legal actions for anti-competitive behaviour	p. 25	SO7	
		Sanctions for non-compliance	p. 25	SO8	
		Non-compliance concerning health and safety impact of products	p. 25	PR2	
		Non-compliance concerning information and labelling of products	p. 25	PR4	
		Adherence to requirements regarding marketing communication	p. 25	PR6	
		Non-compliance concerning marketing communication	p. 25	PR7	
		Complaints regarding customer privacy	p. 25	PR8	
		Sanctions for non-compliance concerning provision of products	p. 25	PR9	
	Stakeholder engagement	Memberships of associations	p. 23	4.13-4.17	
Approaches to stakeholder engagement		p. 24			
Economic value	Investment in the development of new products (percentage of turnover)	5.2	EC1		
People	Workforce	Workforce size (total number of employees)	17,901	LA1	
		Employee turnover	6.19	LA2	Human rights 1
		Minimum wage	p. 31	EC5	
		Freedom of association	p. 31	LA4, HR5	Labour standards 3
		Child labour	p. 31	HR6	Labour standards 5
	Security	Security personnel	p. 31	HR8	Human rights 1
	Health	Lost time injuries (per million hours worked)	17.1	LA7	
		Lost work hours due to lost time injuries (per thousand hours worked)	1.5	LA7	
	Employee development	Training hours (thousand hours)	475	LA10	
		Performance and development reviews	54%	LA12	
		Great place to work award	p. 30	2.10	
	Non-discrimination	Employees with reduced working capability	4.22%	LA13	Labour standards 6
Waste	Reclamation of products	p. 29	EN27		
Process	Indirect economic impact	Proportion of investments in non-OECD countries	20%	EC9	
		Proportion of turnover in non-OECD countries	25%	EC9	
	Governance	ISO 14001/OHSAS 18001-certified companies (number of certificates)	24	n/a	
	Energy	Direct energy (GWh)	75	EN3	Environment 8-9
		Indirect energy (GWh)	264	EN4	
		Electricity saved since 2000 (relative to turnover)	26%	EN5	
	CO <sub>2</sub>	Direct CO <sub>2</sub> emission (thousand tonnes)	16	EN16	
		Indirect CO <sub>2</sub> emission (thousand tonnes)	113	EN16	
	Water	Total water withdrawal (thousand m <sup>3</sup> )	626	EN8	
		Water saved since 2000 (relative to turnover)	34%	n/a	
		Awards received	p. 45	2.10	
	Waste	Total waste from operations (thousand tonnes)	30	EN22	
		Reduction of hazardous waste since 2000	26%	n/a	
Purchase	Suppliers	Spending on locally-based suppliers	p. 52	EC6	
		Screening of suppliers on human rights	p. 50	HR2	Human rights 2
		Training on human rights	p. 50	HR3	
	Lead	Increase in lead-free production compared to 2005	92%	EN26	Environment 7
	Anti-corruption	Risk analysis	p. 50	SO2	Anti-corruption 10
		Training in policies and procedures	p. 53	SO3	
	Response to incidents of corruption	p. 53	SO4		
About the report		Report parameters	p. 54	3.1-3.13	
Grundfos in brief	Economic value	Total Group sales (Euro millions)	2,550	EC1	
	Company	Organisational profile	p. 56	2.1-2.8	
Annual Report		Governance and engagement		4.1-4.12	

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