



# The Grundfos Group's Communication on Progress 2005

## Grundfos and Global Compact

Ever since Grundfos was established in 1945, environmental, social and ethical responsibility have been key values. Among other things, these values are expressed in our mission and vision and are put into practice in our Group policies. These policies are carefully communicated to all parts of the Group through e.g. employee introductions, value games, employee magazines and Annual Report. This ensures that the company values are firmly anchored in our employees, which greatly influences the way we do business.

In keeping with our long tradition of responsible behaviour, it was entirely natural for a global company such as ours to join the UN Global Compact initiative in 2002. We thereby emphasised that Grundfos supports efforts for human rights, employee rights, environmental protection, and against corruption.

Since joining Global Compact, Grundfos has intensified its efforts to live up to its obligations within a number of areas.

The organisation's initiatives have, among other things, been a regular feature in the Group annual reports both financial and environmental. Since Grundfos published its first Group Environmental Report in 1998, it has been used to provide information about our efforts and the results of our work to reduce the strain on the environment and improve working conditions.

As a result of social and ethical responsibility's increasingly strong position on the agenda, the environmental report will be expanded into a sustainability report, which also covers social and ethical responsibility.

This way, we will signal clearly that we promote sustainability in all our internal and external relations. We take our responsibility seriously and feel an obligation towards both the global community and local communities which we affect either as a company or through our products.

We constantly strive to integrate all aspects of sustainability in all corners of our company around the world. We regard our work with sustainability as a continuous learning process: every time we achieve a goal, we move on towards an even greater and more challenging one.

Jens Jørgen Madsen  
Group President and CEO  
14 December 2005



## Practical action and Measurement of action.\*

### Human rights (Principle 1-2)

The Grundfos values and Group policies provide a framework for our commitment to the issue of Human Rights. In addition, we constantly work to ensure compliance within this area in our day to day business.

*These are subjects we have chosen to address in our communication on progress relating to Human Rights,*

- Sustainability in Supply Chain** (principle 1-10)  
**Practical action:** Since August 2005 Grundfos has posed the following demand on suppliers: The supplier must – within his sphere of influence - respect and support the UN Global Compact, including, among other things, Grundfos' set of core values and principles in the areas of human rights, labour standards, the environment, and anti-corruption.  
**Measurement of action:** Suppliers conduct self-assessments and Grundfos has conducted a special assessment of a number of Taiwan suppliers.
- Assessment of Human and Labour Rights compliance in Grundfos companies** (principle 1-10)  
**Practical action:** On a trial basis, we have used the Human Rights Compliance Assessment (HRCA) Quick Check, which is an online-assessment tool developed by the Danish Human Rights Institute.  
**Measurement of action:** The final conclusions on the basis of this assessment have not yet been drawn, and we are in the process of deciding if the organisation wishes to implement the tool on a more general level.
- Employees assess Grundfos' compliance with its own core values** (principle 1-2)  
**Practical action:** One of the most important measures for us as a company is the voice of our employees. In the biannual Employee Satisfaction Survey, which was last carried through in January 2004, employees were asked to evaluate the company's ability to live up to the values stated in our Mission, Vision and Company Values document. Relevant to Human rights is particularly the rating of the company value, Focus on People, where, among other things, the following is stated:  
 "Respect for human rights, however, is an important issue. Consequently we will always observe and respect any sanctions that the world community and the United Nations impose on individual nations for not respecting democratic and human rights. We will do business with due respect to proper business procedures and ethical behaviour."  
**Measurement of action:** On a scale from 1-5 (5 is the highest rating) employees rated Grundfos' compliance with its own core values with an average of 4.4 points.

\*Please note that some of the subjects reported here overlap the different Principles, but are only mentioned once.



## Labour standards (Principle 3-6)

To ensure that Grundfos is in compliance with this principle, the company is committed to the International Labour Standards. Grundfos works within the framework of ILO Standards and in compliance with local legislation.

*These are subjects we have chosen to address in our communication on progress relating to Labour Standards,*

- **Diversity management** (principle 1-2 + 6)  
**Practical action:** Our values and policies call for us to work against discrimination of all sorts. Our primary focus area has for many years been working actively with the employment of people with physical or mental disabilities or social difficulties.  
**Measurement of action:** On a Group basis 3.3% of Grundfos' employees are employed on flexible terms. This actually exceeds our target for 2006 which is 3%.
- **Employee Satisfaction Survey** (Principle 3-6)  
**Practical action:** In the biannual Employee Satisfaction Survey all employees are given the opportunity to voice any problems relating to their jobs, their working conditions and the company in general. The survey is anonymous and all employees are strongly encouraged to fill in the questionnaire.  
**Measurement of action:** On a scale from 1-5 (5 being the highest rating), the average satisfaction was 4.1 and, though the rating varied between the different companies, the overall result was satisfactory as the Group target was 4.



## Environment (Principle 7-9)

Since 1998 we have reported on Grundfos and the environment in a Group Environmental Report. In the report we have specified several targets and key performance indicators for the environmental impact.

- **The Environmental Report** (Principle 7-9)  
**Practical action and measurement of action:** The latest edition is the Group Environmental Report 2004, which addresses the subject matters of Principle 7-9 - [www.grundfos.com/environment](http://www.grundfos.com/environment) - and demonstrates Grundfos' compliance with them.



## Anti-corruption (Principle 10)

Grundfos has worked within a number of areas to fight corruption for several years. However, this past year Grundfos' fight against corruption has been intensified.

*These are subjects we have chosen to address in our communication on progress to fight corruption,*

- **Internal audits (Principle 10)**  
**Practical action:** Corporate Finance and controlling has increased its focus in this area and now performs unannounced visits in a number of companies every year. They also provide training for all Financial Managers (FMs) to ensure that they know what to look out for and that they are in compliance with Group policies in this area.  
**Measurement of action:** The issue of corruption has become a top priority among General Managers and FMs in the Group.
- **Code of Conduct (Principle 10)**  
**Practical action:** All members of the Group's general management must commit to and sign the Group Code of Conduct, which includes the obligation to fight corruption.  
**Measurement of action:** Once a year, the Group's general management must sign the Group's Code of Conduct. This process ensures commitment and provides an opportunity to evaluate the progress for each area and for management to enter into dialogue about the subject.
- **Involvement of other key staff in the fight against corruption (Principle 10)**  
**Practical action:** Grundfos has introduced an ethical decision model which has already been introduced to the groups mentioned above and to key members of the Group's sales staff and others.  
**Measurement of action:** At the moment it is being considered how the organisation can work directly both locally and globally with an even larger group of employees.



## Relevant links for more info on subjects related to this communication on progress:

Grundfos links,  
[www.Grundfos.com/values](http://www.Grundfos.com/values)  
[www.Grundfos.com/policies](http://www.Grundfos.com/policies)  
[www.grundfos.com/environment](http://www.grundfos.com/environment)  
[www.Grundfos.com/CSR](http://www.Grundfos.com/CSR)  
[www.Grundfos.com/annualreport](http://www.Grundfos.com/annualreport)

Outside Grundfos,  
<http://hrca.humanrightsbusiness.org>  
[www.ilo.org](http://www.ilo.org)